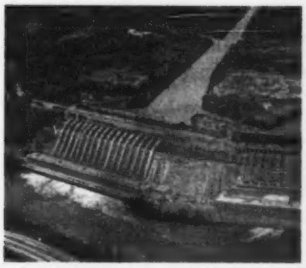
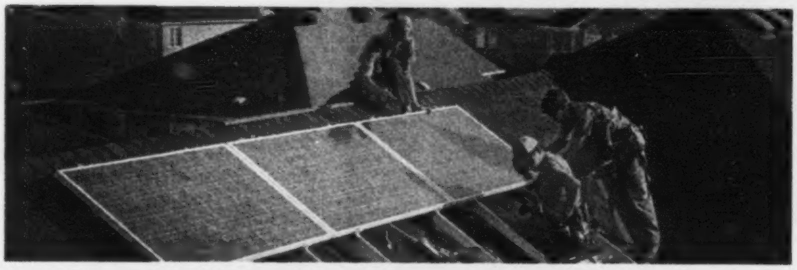



2010 **Annual Report**

Working in **partnership**

ONTARIO POWER AUTHORITY

ONTARIO
POWER AUTHORITY

March 31, 2011

The Honourable Brad Duguid
Minister of Energy
900 Bay Street, 4th Floor
Toronto, ON
M7A 2E1

Dear Minister:

I am pleased to submit the Ontario Power Authority's 2010 annual report. The report provides an overview of the OPA's activities and accomplishments during the fiscal year that ended December 31, 2010, and includes the audited financial statements.

Respectfully submitted,

James D. Hinds
Chair

Introduction

The Ontario Power Authority (OPA) ensures a reliable, cost-effective and sustainable supply of electricity for Ontario. Its key areas of focus are: planning, designing and coordinating conservation programs across the province, planning the power system for the long term, and contracting for the development of needed generation resources.

The OPA was established by the Electricity Restructuring Act, 2004 (amending the Electricity Act, 1998). It is governed by an independent board of directors and reports to the Legislative Assembly of Ontario through the Minister of Energy. The OPA is licensed and regulated by the Ontario Energy Board.

There were 235 regular full-time positions at the OPA in 2010, and the annual operating budget was $65.1 million. This was funded by the ratepayers of Ontario through a fee of $0.551 per megawatt-hour of electricity consumed.

Table of Contents

OPA Accomplishments in 2010

Conservation

- Designed province-wide conservation and energy-efficiency programs for the 2011-14 period in collaboration with local distribution companies.
- Launched an important new initiative for energy-efficiency improvements in large transmission-connected industrial facilities.
- The OPA's 2009 conservation portfolio achieved nearly 630 gigawatt-hours of energy savings and 675 megawatts of peak demand savings, including savings associated with energy-efficiency measures and contracted capacity from demand-response initiatives.

Electricity generation

- The total capacity under contract increased by more than 35 percent from 2009, representing an additional 4,700 megawatts, and the investment in the province's electricity sector increased by more than 76 percent, or $11.7 billion. As of December 31, 2010, the OPA had over 18,100 megawatts of electricity supply capacity under contract, including more than 7,200 megawatts of renewable energy, and was managing more than 3,900 contracts. This represents about $27 billion of new investment in Ontario's electricity sector since 2005.
- Managed and optimized the FIT and microFIT programs to encourage the development of renewable energy in Ontario, including development of tests for FIT transmission connection to identify transmission availability. By December 31, 2010, the OPA had executed over 1,200 FIT contracts for close to 2,600 megawatts of renewable energy – enough electricity each year to power more than 600,000 homes – and more than 2,500 microFIT projects for nearly 20 megawatts of renewable energy. It had received over 24,000 microFIT applications for nearly 220 megawatts of renewable energy and had issued 18,370 conditional offers for 167 megawatts. Together, the FIT and microFIT contracts represent more than $9 billion of capital investment in Ontario's electricity system.
- Executed a contract with Ontario Power Generation to expand the capacity of its Lower Mattagami River hydroelectric generating stations – the largest hydroelectric project in four decades in Northern Ontario – as well as 36 contracts with owners and operators of existing hydroelectric facilities in over 40 communities for 1,049 megawatts.
- Two key natural gas-fired facilities previously contracted by the OPA came into service – the 236-megawatt Thorold cogeneration plant and the 642-megawatt Halton Hills combined cycle power plant.

Power system planning

- Advised the government on its Long-Term Energy Plan to facilitate the development of a cost-effective, reliable and sustainable electricity system while integrating conservation and renewable generation, and began preparing for the updated Integrated Power System Plan.
- Supported the development and implementation of integrated regional plans, including the development of electricity service options for remote communities, and worked to integrate renewable energy projects into Ontario's transmission system.

Aboriginal and stakeholder engagement

- Increased public understanding of the electricity sector by engaging in consultation with First Nation and Métis communities, customers, industry partners and stakeholders on elements of planning, conservation, renewable and clean energy and other key organizational initiatives.
- Designed and implemented renewable energy support programs for First Nation and Métis communities to reduce barriers and facilitate their involvement in renewable energy projects. In 2010, 15 First Nation projects in 11 communities received funding.
- Designed and implemented renewable energy support programs for communities to reduce barriers and facilitate their involvement in renewable energy projects. In 2010, 41 projects in 37 communities were awarded community grants.

Operational efficiency

- Delivered on a significantly expanded mandate, including increased megawatts of electricity under contract, reflecting billions of dollars of investment in the sector and increased conservation savings. This was accomplished while reducing operating expenses to three percent of overall spending, including generation and conservation programs.

For more information on these and other OPA achievements, please visit the following OPA websites:

www.powerauthority.on.ca

www.saveonenergy.ca

www.fit.powerauthority.on.ca.

Message from the Chair and the CEO

Electricity underpins virtually all aspects of the daily activities of Ontarians. The efforts and hard work of the electricity sector in the past few years have made it possible for Ontario residents and businesses to realize the benefits of reliable, sustainable electricity supply in 2010. This is significant progress when we consider the tight supply situation the province faced just a few years ago. The turnaround reflects the importance of having a long-term electricity plan to ensure that the system remains reliable, sustainable and cost-effective.

Long-term planning

Much of our planning efforts in 2010 focused on providing advice to the provincial government on the development of its long-term energy plan. Released in November 2010, this plan, called *Ontario's Long-Term Energy Plan – Building Our Clean Energy Future* (Long-Term Energy Plan), sets out the province's expected electricity needs until 2030 and establishes the most efficient ways to meet them. This document will help guide us as we continue to plan for a clean, modern and reliable electricity system.

In 2011, we will file an updated Integrated Power System Plan with the Ontario Energy Board that will reflect progress made and goals set by the government, and identify the investments in conservation, generation and transmission that will be needed. A blueprint for clean, reliable supply, this integrated plan will address both conservation and new supply and will ensure that generation and transmission investments are addressed together to minimize risks, costs and environmental impacts.

This plan will build, as well, on the original Integrated Power System Plan we submitted to the Ontario Energy Board in 2007. For the past three years, initiatives from the first plan have been transforming Ontario's electricity sector and have allowed us to turn our primary focus from restoring reliability to making our system greener, cleaner and smarter. Key elements include phasing out coal-fired generation, increasing the contribution of renewable resources and promoting conservation and energy efficiency. The updated plan will reflect new opportunities and respond to changes that occur in our electricity system and in the broader economy.

Procuring clean energy

Initiatives flowing from this long-term energy planning have resulted in more than 8,000 megawatts of new generation. This investment in generation is a significant accomplishment – one that has restored system reliability, eliminated the supply deficit and stimulated a broad-based renewable energy sector. It has also laid the foundation for the replacement of coal-fired generation by the end of 2014. Eliminating coal in Ontario is the single largest climate-change initiative in Canada. Ontario is also one of the first jurisdictions in the world to do this.

The primary means of increasing the amount of renewable energy generated in Ontario is through the Feed-in Tariff (FIT) Program. A cornerstone of the *Green Energy and Green Economy Act*, this program was designed and launched by the OPA in 2009. It is the most comprehensive of its kind in North America – and has attracted worldwide attention. In 2010, this program experienced an extremely high participation rate that well exceeded expectations.

More resources are in the pipeline. In 2010, we entered into a contract for the largest hydroelectric project in Northern Ontario in four decades – the expansion of the Lower Mattagami River hydroelectric generating stations – as well as a number of contracts with existing smaller hydroelectric facilities for over 1,000 megawatts of electricity. By the end of 2010, the number and value of electricity supply contracts under our management increased to more than 18,100 megawatts of new and existing supply. This represents an investment of more than $27 billion in electricity infrastructure under way in the province since 2005. In 2011, we expect the number of contracted megawatts to increase by over 14 percent to more than 20,700 megawatts, representing increased investment in the sector of about 32 percent to around $35.6 billion.

We will continue to invest in replacing aging infrastructure and optimizing the use of existing assets. The essential improvement of Ontario's aging electricity system to make it greener, cleaner and smarter will inevitably affect the cost of electricity as new essential facilities come into service and older infrastructure is replaced.

Conservation

On other fronts, we're working to achieve one of the most ambitious conservation targets in North America – a reduction of peak demand by 7,100 megawatts and a reduction of overall demand by 28 terawatt-hours by 2030. We've already made good progress, reducing peak demand by more than 1,700 megawatts since 2005. Conservation will always be our first priority, since it's our least-cost resource and the most effective way consumers can manage their electricity bills. We're working hard to develop new and better programs and tools to help consumers use electricity more efficiently, manage their costs and generate electricity and revenue – so all Ontarians will share in the benefits that come from a reliable, sustainable electricity system and a cleaner environment.

Local distribution companies now have their own conservation targets contributing to the provincial target, and in 2011 they'll be playing an even larger role in helping Ontario meet its goals. We worked closely with them throughout 2010 as they prepared to assume their new responsibilities for conservation and distributed generation. Together, we revamped our conservation programs to make them more consumer-focused and accessible to communities and households, First Nation and Métis communities, and municipalities, universities, schools and hospitals. And together we're re-launching these programs province-wide in 2011, to make it easier for Ontarians to become engaged in conservation. The OPA is also introducing new tools for businesses and a new multi-component conservation program for low-income Ontarians in 2011. And we will build on the important new initiative for energy-efficiency improvements in large transmission-connected industrial facilities that we launched in 2010.

Stakeholders and ratepayers

Through all of our accomplishments, we continued to work closely with our electricity sector partners and our many stakeholders to increase their awareness of and participation in the sector. Collaboration, facilitation and consultation were prominent features of all our major initiatives – ongoing management of the FIT and microFIT programs, conservation programs and all our planning processes. And they will remain our foundational principles as we continue to meet extensively with stakeholders and partners across the province on a range of key topics and initiatives. We will also continue to play a role with our industry partners in emerging developments and initiatives in the sector, such as carbon mitigation, the smart grid, and vehicle and transit electrification.

Of critical importance to fulfilling our role as a government agency are our efforts to provide value to the ratepayer by ensuring that we run our operations efficiently and effectively. As both the value and volume of contracts under our management continue to grow, we endeavour to bring reliable and sustainable megawatts of electricity online in Ontario. We use best practices for continuous improvement. And we continue to contribute to and align our work with the evolving electricity sector and the environmental and commercial forces that shape it to provide this value.

The investments made since 2005 to make the electricity system more reliable and cleaner, along with investment commitments for the next five years come with a price tag. The annual cost of electricity service averaged $15.3 billion between 2005 and 2010 and is expected to rise by about $4 billion by 2015. Most of this cost increase is associated with investments to improve the reliability of the system and to replace aging generation facilities with cleaner sources of energy.

The OPA's mandate to procure generation and achieve conservation targets is just one factor affecting the prices paid by Ontarians. We have developed a variety of initiatives to help homeowners and businesses manage their electricity consumption. In addition, the government introduced in January 2011, the Ontario Clean Energy Benefit, which is providing 10 percent off electricity bills for families, farms and businesses for the next five years.

We will continue to be rigorous in finding ways to contain our expenses and manage the impacts of our operations on ratepayers – despite an increasingly broad and complex mandate. With revenues taken into account, our 2011 operating budget will be reduced by 4.1 percent from 2010. In addition, the OPA has proposed that its revenue requirement fee rate be reduced by 2.8 cents per megawatt-hour or five percent from 2010. We will freeze the number of regular full-time equivalent staff at 2010 levels in 2011, and by the end of 2013, we will reduce our regular full-time equivalent staff by five percent.

We also will continue to support the development of stronger and greener communities in Ontario through responsible social and environmental leadership. Named one of the Greater Toronto Area's top 90 employers in 2010, we are also a proud member of the United Way honour roll and support charitable organizations, such as Habitat for Humanity, through in-kind services. And through our environmental performance policy that incorporates environmental considerations into decision-making, we are helping to green Ontario, beginning with our own operations.

Looking ahead

Ontario is on a new and clear course to a cleaner energy future, but more remains to be achieved. Much will depend on how our economy evolves – how the industrial sector rebounds, how consumers respond to growing choices for transportation and other potential electricity tools, and what policies are put in place to address carbon emissions in our economy as a whole.

Substantive initiatives under way in every part of Ontario's electricity sector are making us a North American leader. Our ambitious conservation targets, cleaner generation, significant transmission investment and long-term planning will achieve economic benefits and engage consumers in a smarter, more reliable, cost-effective and sustainable electricity system.

Our efforts are dedicated to transforming the electricity sector in Ontario and rebuilding critical infrastructure that is making Ontario a leading clean energy jurisdiction in support of tomorrow's economy. The steps we are taking to advance the electricity system will ensure it continues to meet the evolving needs of families and businesses and enhances the province's economic prosperity.

James D. Hinds, Chair

Colin Andersen, Chief Executive Officer

The changing conservation landscape

Aggressive conservation targets have positioned Ontario as a conservation leader in North America.

The *Green Energy and Green Economy Act, 2009* (Green Energy Act), significantly changed the conservation landscape in Ontario. As part of this new landscape, in 2010 the Ontario Power Authority (OPA) worked with the Ministry of Energy, the Ontario Energy Board and the Electricity Distributors Association to develop the implementation framework for the conservation elements of the Act.

Ontario's long-term conservation and demand management goals of a 7,100-megawatt peak demand reduction and an overall demand reduction of 28 terawatt-hours by 2030[1] – equivalent to removing about 2.4 million homes (or one in five) from the electricity grid – are among the most aggressive targets in North America.

Since its inception in 2005, the OPA has played a key role in designing and delivering conservation and demand management programs. In fewer than five years, the OPA and local distribution companies have successfully developed and delivered some of the most innovative conservation and demand management programs in North America. The OPA has adopted a long-term conservation market-transformation strategy to ensure that conservation and demand management are sustainable, reliable, cost-effective and more consumer-focused.

New conservation programs, targets, roles and responsibilities

Much of the OPA's focus this year was on preparing for the new conservation landscape in 2011, including an enhanced conservation portfolio, new conservation targets and new roles and responsibilities for local distribution companies, the OPA and others.

New conservation and demand management targets for local distribution companies took effect on January 1, 2011.[2] Achieving them will require a high degree of coordination between the local distribution companies and the OPA. Local distribution companies may meet their targets through the delivery of Ontario Energy Board-approved local conservation and demand management programs (referred to as board-approved conservation and demand management programs), through the delivery of provincial conservation and demand management programs made available by the OPA (referred to as OPA-contracted province-wide conservation and demand management programs), or through a combination of both during the 2011 to 2014 period. The OPA anticipates that the local distribution companies will meet 80 to 90 percent of their targets through OPA-contracted programs.

In April 2010, the Minister of Energy directed the OPA to design, deliver and fund OPA-contracted province-wide conservation and demand management programs for the consumer, business and low-income sectors.[3] To support this directive, the OPA and the Electricity Distributors Association established working groups to jointly develop new programs. The OPA held two broad consultation sessions on the draft program designs in April – one for local distribution companies and the other for

[1] These new targets were announced in the Long-Term Energy Plan released in November 2010. Interim peak demand reduction targets set in 2005 of 1,350 megawatts by 2007 and a further 1,350 megawatts by 2010 remain in place.

[2] A March 2010 ministerial directive to the Ontario Energy Board required it to establish, with OPA advice, individual conservation and demand management targets for local distribution companies and to include these as a condition of the distributors' licences. The total of these targets is to equal 1,330 megawatts of provincial peak demand reduction and 6,000 gigawatt-hours of energy savings from 2011 to 2014.

[3] In July 2010, the OPA received a directive to design, implement and fund an electricity conservation and demand management program for low-income residential consumers as part of its suite of OPA-contracted province-wide conservation and demand management programs for the 2011 to 2014 period.

interested stakeholders. More than 50 local distribution companies and 200 organizations participated in these sessions. The new consumer program and the new commercial and institutional program were launched in early 2011. The other programs are expected to launch in the first half of 2011. The design of these programs relied on the significant experience gained and lessons learned by the OPA and its local distribution company partners over the past several years.

The Minister also directed the OPA to design and coordinate the delivery of energy-efficiency and demand-response programs for First Nation and Métis communities, as well as to continue to provide, through its Conservation Fund, support and funding of conservation and demand management research and innovation as a means to assist local distribution companies and others in their conservation efforts. Progress in regard to these initiatives is described further below.

The local distribution company conservation portfolio and the OPA's other conservation programs and activities support the OPA's long-term conservation market transformation strategy by accelerating the penetration of energy-efficient products and behaviours, which in turn can enable higher energy-efficiency codes and standards in the future.

The 2010 conservation program portfolio

The OPA continued to deliver a comprehensive conservation portfolio that achieved electricity savings and contributed to peak demand and energy savings across the province.

In partnership with local distribution companies and other delivery agents, the OPA continued to offer a robust portfolio of conservation initiatives in 2010 that reached all segments of the Ontario market. The initiatives delivered electricity savings and contributed to peak demand reduction. Verified results of 2010 programs will be available in 2011.

Demand response and industrial programs are integral to achieving conservation targets. These programs are designed to help customers manage their demand for electricity and deliver significant value to the electricity system. Energy-efficiency gains can contribute to increased environmental sustainability, while helping to maintain Ontario's competitive advantage and create jobs. In response to the Minister's March directive to the OPA to create and deliver an energy-efficiency program for industrial transmission-connected customers, the OPA launched the Industrial Accelerator Program in June 2010. The program helps transmission-connected industrial electricity users to fast-track capital investment in major energy-efficiency projects. The OPA has been working closely with eligible participants since program launch to identify and implement energy-efficiency opportunities at various industrial sites across the province.

Conservation research, education and awareness

Building a culture of conservation through research, education and awareness is an important part of the OPA's conservation strategy.

The OPA uses market intelligence and analysis and takes a customer-focused approach to delivering conservation programs. Market research done throughout the year showed the success of province-wide conservation programs, and found that seven in 10 Ontarians who were eligible for these programs were aware of them.

Since 2007, the OPA has been using a survey tool it developed to track growth in the culture of conservation across the province. Conservation and awareness programs are measured through this tool to understand the breadth and extent of lasting behavioural change.

To support program delivery and enhance understanding of the target market, the OPA made available to each local distribution company data on its residential customers to help them better understand

attitudes toward and barriers to conservation, and the challenges businesses face in adopting energy-efficiency measures.

The OPA continued its efforts in 2010 to engage the public in energy conservation actions and to help foster a culture of conservation through its third annual province-wide conservation awareness campaign. This year's campaign, The Power Pledge, was run in collaboration with AIR MILES® for Social Change and used an online and social media strategy to challenge Ontarians to take simple but meaningful actions to help manage their home electricity consumption and reduce environmental impacts. Over 133,000 Ontarians completed the pledge, a sevenfold increase from 2009. Participants were able to donate reward points earned to charitable organizations such as World Wildlife Fund-Canada, Kids Help Phone and Special Olympics.

Another key initiative in 2010 was the OPA's collaboration with the professional soccer team Toronto FC. This relationship enabled the OPA and several local distribution companies to engage with over 300,000 fans and 50 communities across the province on energy conservation. The team's July 10 home game was themed "Electricity Conservation Awareness Day," an event promoted through a variety of media to raise energy conservation awareness.

The OPA also developed a television advertising campaign to raise consumer awareness about opportunities for making the electricity sector cleaner through conservation and the microFIT Program. Later in the year, the directive was expanded to enable the OPA to develop a communications campaign to educate the public about Ontario's Long-Term Energy Plan.

In late 2009, the OPA also established and began tracking a "culture of conservation in Ontario" measure. The purpose of the measure is to inform conservation awareness strategies and initiatives by measuring the direction and magnitude of change in the culture of energy conservation in Ontario over time.

Innovation

Funding research and development to drive innovation helps ensure a healthy future for conservation programs and energy-efficient technologies in Ontario.

Conservation Fund

The Conservation Fund provides funding for sector-specific electricity conservation incubation projects that inform future conservation program design and build market capability. Innovation in conservation initiatives continued to grow in 2010, resulting in a record number of requests for funding. The OPA allocated $3.3 million to 16 projects in 2010. Since its inception, the Conservation Fund has committed $15 million to 97 projects. These funds have leveraged an additional $26.5 million in partner contributions.

Enhancements were made in 2010 to the fund's eligibility criteria to enable local distribution companies to apply. The first local distribution company-led project was approved in 2010.

The OPA conducted research in 2010 that examined changes in electricity consumption patterns, conservation program activity and best practices from other jurisdictions. It identified potential projects in the residential, commercial and industrial sectors that could be developed with fund support and will inform the fund's recruitment for 2011 and 2012. These projects included development of concepts related to energy-efficient design of new facilities, new program design methodologies and promotion of improved energy management practices.

Technology Development Fund

The OPA's Technology Development Fund provides support for emerging technologies or applications that have the potential to improve electricity supply or conservation. Funding is used to support research, development or performance verification of pre-commercial technologies and industrial process innovations. Support for emerging end-use technologies accelerates market penetration of more energy-efficient technologies, thereby increasing or improving the range of choices available for future supply and conservation resources.

Interest in electricity sector-related innovation was very strong in 2010, resulting in a record number of quality submissions. In the three 2010 funding rounds, the fund allocated $3.5 million to 15 projects. Since its inception in 2006, the Technology Development Fund has allocated $8.4 million to 55 projects. This funding has leveraged more than $71 million in partner support.

Codes and standards

The OPA continued to participate in and support government processes that drive conservation and to engage in activities to support changes to codes, standards and other policies. It co-funded a study of cost-effective paths for building advanced energy-efficient new homes with the Ministry of Energy, the Ministry of Municipal Affairs and Housing and the federal government. The OPA also developed estimates of the potential energy savings from codes and standards included in the Long-Term Energy Plan. OPA staff are chairing the ENERGY STAR® for New Homes Advisory Committee, which will advise Natural Resources Canada on the level of energy efficiency required for a revised ENERGY STAR® standard.

In addition, the OPA increased its work with municipal governments supporting the creation of sustainable communities. Activities included co-funding for East Gwillimbury, Guelph, London and Toronto to develop policy, and co-funding for Barrie, Guelph, Hamilton and London to undertake land-use and energy-mapping projects. The OPA also developed a municipal policy toolkit, hosted webinars on policy issues and continued to participate in the Quality Urban Energy Systems of Tomorrow (QUEST).

Smart grid

The OPA remained an active participant in the Smart Grid Forum. In this capacity, the OPA helped evaluate opportunities to achieve more effective and reliable electricity delivery through the enhanced distributed generation, energy efficiency and demand management initiatives made possible by the development of a smart grid.

Evaluation, measurement and verification

The OPA produces verified results for its conservation programs each year through a rigorous process.

The results from 2009 forward will be published on the OPA's website. The OPA continued to place emphasis on the rigour of its evaluation, measurement and verification (EM&V) processes in 2010. It managed high-quality program evaluations using industry best practices, advised the Ontario Energy Board on evaluation, measurement and verification, and maintained the OPA's measures and assumptions lists.[4]

The OPA also developed a draft EM&V framework called EM&V Protocols and Requirements for the 2011-2014 period. This framework provides the basis for a consistent and systematic methodology for tracking and evaluating the effectiveness and impacts of ratepayer-funded conservation programs designed and delivered by both the OPA and local distribution companies. It will be finalized following consultations with local distribution companies in the spring of 2011.

---

[4] These lists were created to provide best available information and consistent conservation program assumptions needed to estimate potential energy and demand savings. These savings serve as the basis for the design, implementation, and evaluation of conservation and demand management programs.

Procuring clean electricity for Ontario

The OPA continued to focus on procuring greener and cleaner energy for Ontario in 2010.

In 2010, electricity supply procurements in Ontario were carried out through directives received from the Minister of Energy. Much of the OPA's procurement activities in 2010 focused on the Feed-in Tariff (FIT) Program, launched under directive by the OPA in October 2009. This program is a cornerstone of the Green Energy Act and a central part of the province's overall clean energy vision. The most comprehensive initiative of its kind in North America, the FIT Program has experienced an extremely high uptake that exceeded the OPA's expectations.

With the FIT Program, the OPA's procurement activity focus has shifted in part from discrete requests for competitive proposals to standard-offer contracting. However, competitive proposals and bilateral negotiations continue to be required for a variety of new generation resources and the operation of existing resources. In addition to its procurements, the OPA is responsible for facilitating the development of projects and managing contracts as projects move to commercial operation through to the end of their contract terms.

In 2010, the OPA negotiated, managed and settled an increasing volume of energy supply contracts from various clean fuel sources, including renewable, natural gas, combined heat and power generation and nuclear refurbishment. As of December 31, 2010, the OPA had over 18,100 megawatts of electricity supply capacity under contract and was managing more than 3,900 contracts, including more than 1,200 FIT contracts and over 2,500 microFIT contracts for very small renewable energy projects 10 kilowatts and less in size. This represents about $27 billion of new investment in Ontario's electricity sector since 2005.

More than 12,100 megawatts are in commercial operation, with the remainder in various stages of development and construction. Of the total resources under contract, over 7,200 megawatts are for renewable energy (wind, hydro, solar and bioenergy), with more than 3,300 megawatts of that in commercial operation. The total capacity under contract is an increase of more than 35 percent from 2009, representing an additional 4,700 megawatts. With respect to investment in Ontario's electricity sector, it represents an increase of $11.7 billion since 2009. A breakdown of the electricity supply capacity under contract is provided in Tables 1a and 1b.

In 2011, the OPA expects the amount of megawatts under contract to increase by more than 14 percent to over 20,700 megawatts, with investment in the sector increasing to about $35.6 billion.

Table 1a: Electricity supply capacity under contract from 2005 to December 2010

Capacity in service (MW)*	Capacity under construction (MW)	Capacity in planning and permitting (MW)	Total capacity under contract (MW)
12,114	3,114	2,909	18,137

**MW = megawatts*

Table 1b: Electricity supply contracts, capacity and status: details

Technology or contract type	Number of contracts	Total capacity under contract (MW)	Total capacity in service (MW)
Renewable - hydroelectric	106	2,329	1,684
Renewable - wind, solar, bioenergy	3,811	4,873	1,668
Natural gas: simple/combined cycle	9	6,967	6,294
Natural gas: combined heat and power	12	968	968
Nuclear	1	3,000	1,500
Total	**3,939**	**18,137**	**12,114**

**MW = megawatts*

Feed-in Tariff Program

The FIT Program – North America's most comprehensive feed-in-tariff program – has received a tremendous response.

The FIT Program, along with its microFIT Program stream for very small projects, experienced extremely high volumes of applications. By the end of 2010, the OPA had received close to 4,100 FIT applications with a combined capacity of over 16,200 megawatts. Reflecting existing grid capacity, as of December 31, 2010, the OPA had executed over 1,200 FIT contracts for close to 2,600 megawatts of renewable energy – enough electricity each year to power more than 600,000 homes. Solar photovoltaic projects represented 88 percent of these projects and close to 32 percent of the total megawatts, while more than four percent of the executed contracts and over 59 percent of the megawatts were wind projects. This capacity is scheduled to be on line between 2010 and 2015.

By the end of 2010, the OPA had received more than 24,000 microFIT applications for nearly 220 megawatts of renewable energy. More than 99 percent of these were for solar photovoltaic projects. More than 2,500 microFIT contracts were executed for projects representing nearly 20 megawatts. This capacity has been connected to the Ontario grid and is generating renewable energy. Together, these FIT and microFIT contracts represent over $9 billion of capital investment in Ontario's electricity system.

In April 2010, as directed by the then Minister of Energy and Infrastructure, the OPA began to negotiate a series of power purchase agreements with a Korean Consortium. These were for the development of 2,500 megawatts of wind and solar projects in Ontario as contemplated by the Green Energy Investment Agreement executed between the Government of Ontario and the consortium. Further negotiations for additional power purchase agreements will continue until all of the 2,500-megawatt capacity directed by the Minister has been contracted. This renewable energy capacity is expected to come into commercial operation between 2013 and 2016.

The OPA gained extensive operational experience with the FIT and microFIT programs in 2010, including enhancing its use of information technology for contract application, management and settlement systems to optimize their efficiency and effectiveness. It also created advisory panels composed of a broad range of industry experts for both programs to provide technical and strategic program advice in advance of the two-year program review in 2011. Work on the design of a feed-in tariff program for commercial aggregators commenced in 2010 and the proposed program was introduced for stakeholder consultation in February 2011.

Renewable energy support programs

The OPA was directed by the then Minister of Energy and Infrastructure in September 2009 to facilitate the development of renewable energy projects by First Nation and Métis communities and community-based groups, and to support municipalities in hosting renewable energy projects.

In the spring of 2010, the OPA launched the Aboriginal Renewable Energy Fund, which provides funding for certain development costs of eligible Aboriginal projects. The fund awarded a total of $1.3 million to 15 projects in 11 communities in 2010. The fund is part of the Aboriginal Energy Partnerships Program. Further details about this program are provided in the First Nation and Métis relations section on pages 18 and 19.

The Community Energy Partnerships Program, also launched in the spring of 2010, helps communities by paying some of the soft costs associated with the development of new renewable energy projects. In 2010, the program awarded 41 financial grants in 37 communities for a total of $2.4 million. The OPA oversees its delivery by a third party. Funding for certain projects was increased and funds were allocated to community outreach activities by a directive issued in late November 2010.

The OPA continued to work with the Ministry of Energy, as well as with other ministries and agencies, on the Municipal Renewable Energy Program. This program would provide reimbursement of certain direct costs to municipalities hosting renewable energy projects.

Hydroelectric, combined heat and power and other procurement initiatives

The OPA continued its activities to procure key hydroelectric, combined heat and power and other forms of clean energy.

The OPA successfully negotiated and executed a contract with Ontario Power Generation to expand the capacity of its Lower Mattagami River hydroelectric generating stations. After the expansion and redevelopment work is complete, the combined capacity of these four stations (Harmon, Kipling, Little Long and Smoky Falls) will be increased to 924 megawatts from 486 megawatts, the largest hydroelectric project in Ontario in four decades.

The OPA continued processes for negotiating with owners and operators of existing hydroelectric facilities as part of the Hydroelectric Contract Initiative in response to a ministerial directive in May 2009. At the end of 2010, the OPA had entered into 36 contracts in over 40 communities for a total capacity of 1,049 megawatts of an estimated total of 1,300 megawatts. The OPA also implemented new models to accommodate the settlement of these contracts and hydroelectric energy supply agreements executed with Ontario Power Generation.

In November, the OPA received a new combined heat and power directive that replaced the previous combined heat and power directives issued in June 2005, June 2007 and April 2008. The OPA continued its efforts to procure 1,000 megawatts of combined heat and power projects (more than 400 megawatts of the 1,000 megawatts were already procured under the previous directives). As part of this initiative, the OPA and St. Marys Paper Corporation entered into a 10-year contract in November to supply 30 megawatts of clean electricity for a cogeneration project at the St. Marys facility in Sault Ste. Marie. The remaining capacity will be procured either through a standard offer program for small-scale projects 20 megawatts or less in size, or through a competitive or negotiated procurement process for projects larger than 20 megawatts.

The OPA has substantially developed the standard offer program rules and a contract for small-scale projects, including provisions for small-scale energy recovery projects, which will be finalized in 2011. Stakeholder consultation for small-scale projects took place in February and March 2011. The contract and procurement process details for large-scale projects will be finalized and presented to stakeholders in the first half of 2011.

The OPA continued to offer the energy-from-waste pilot demonstration program. This initiative, driven by the Ministry of the Environment, assesses the merits of energy-from-waste technologies and assists in the development of improved technologies. It also facilitates testing and evaluating these technologies for their environmental impacts.

The OPA also continued to facilitate and manage the four renewable energy supply contracts under an August 2007 directive (referred to as RES III). The combined capacity of these contracts is about 375 megawatts, all of which are expected to be in service in 2011.

In 2010, two key natural gas-fired facilities previously contracted by the OPA, the 236-megawatt Thorold cogeneration plant and 642-megawatt Halton Hills combined-cycle power plant, came into service.

In October, the Ontario government announced that the proposed natural gas plant in the southwestern Greater Toronto Area (GTA) was no longer required because of recent changes in supply and demand. The OPA will be developing a transmission solution to ensure that the future electricity needs of the southwestern GTA are met.

The non-utility generation working group, consisting of the OPA, the Independent Electricity System Operator, the Ministry of Energy and the Ontario Electricity Financial Corporation, continued to gather data and develop strategies for renegotiating natural gas-fired facility contracts amounting to 1,400 megawatts. In November 2010, the OPA received a directive to negotiate more than 30 new contracts with the owners or operators of non-utility generation facilities upon expiry of their current contracts with the Ontario Electricity Financial Corporation. When negotiating these contracts, the OPA will give consideration to refurbishment, upgrades or expansion of these facilities and to contractual terms that reflect a reasonable cost to Ontario's ratepayers.

The OPA conducted preparation work for the negotiation of additional nuclear refurbishment at the Bruce Power Nuclear Generating Station, which will require a long lead time to conclude. The remaining six existing nuclear units (excluding the two units under refurbishment at the Bruce Power site) will reach their end-of-service lives around 2020. These units will need to be refurbished and modernized, using highly skilled resources to maintain clean and reliable nuclear power as described in the government's Long-Term Energy Plan. In 2010, the OPA engaged external legal counsel, financial advisors and technical experts to conduct technical due diligence and financial modelling activities to prepare for the negotiation processes. The OPA continued to work with the Ministry to maintain nuclear supply at approximately 50 percent of the supply mix.

In August 2010, the OPA received a directive to negotiate an agreement with Ontario Power Generation for its Atikokan Generating Station biomass energy supply project as part of the government's commitment to phase out coal and increase renewable energy supply capacity. The 200-megawatt energy supply agreement is expected to be signed in 2011 with a targeted in-service date in the fall of 2013.

As directed by the then Minister of Energy and Infrastructure in January 2010, the OPA negotiated and concluded a one-year extension of the Lennox Generating Station contract with Ontario Power Generation. The contract expired at the end of the year, and the OPA negotiated a new agreement with Ontario Power Generation to extend the contract as an interim measure until a new agreement is negotiated. The new expiry date of the 2,140-megawatt agreement for this dual-fuelled facility is December 31, 2011.

Electricity sector developments

The OPA actively monitored and analyzed sector, market and policy developments throughout 2010 – while working closely with other industry participants and stakeholders.

As Ontario's electricity sector continued to evolve through policy, legislative, regulatory and market rule changes, the OPA continued to both facilitate and participate in discussions with the Ministry of Energy, the Independent Electricity System Operator, the Ontario Energy Board and other industry participants. These discussions were to examine and monitor the workings of the hybrid market, cost and pricing issues, climate change and carbon mitigation policies, and to further the efficient evolution of the sector.

The OPA participated in a working group with the Independent Electricity System Operator and the Ministry of Energy to examine and implement changes to the allocation of the global adjustment to ensure continued economic efficiency and value for ratepayers. The OPA and the Independent Electricity System Operator also collaborated on issues related to resource integration and procurement, such as the integration of intermittent resources into the market, and worked closely with industry stakeholders to understand impacts and needs.

The OPA monitored developments in climate change policies through an internal cross-functional climate change team and by participating, observing and monitoring other initiatives and groups such as the Western Climate Initiative, with a specific focus on Ontario and North America. As these policies evolve, the OPA is examining options and solutions to incorporate mechanisms to deal with changes to climate change regulation and their impacts on the OPA's procurement processes and contracts. Tools have been developed to support the analyses, such as system models and economic and financial models, to determine the impacts on the market and more specifically on ratepayers and OPA contractual counterparties. The OPA has also been assessing its policy and approaches relating to its environmental attributes, including examining options for monetizing and marketing them.

Monitoring, assessing and implementing policy changes helped ensure that procurements and associated contracts were as efficient and effective as possible.

Long-term integrated system planning

As Ontario's power system planner, the OPA develops and maintains an updated integrated power system plan that implements government policies and directives while reflecting sector developments.

Planning is a continuous process that identifies and evaluates emerging issues and reflects decisions that have been made and implemented. These assessments are used to provide advice to government, to share information at public consultations, and to support electricity resource and conservation procurements as well as regulatory proceedings.

Advice and analysis for development of Ontario's Long-Term Energy Plan

The OPA, through its planning activity, provided advice to the government on the development of its Long-Term Energy Plan. Released in 2010, this plan is designed to meet the needs of Ontarians for a cost-effective, reliable and sustainable electricity system.

The OPA's advice involved a coordinated and comprehensive effort that considered all aspects of the electricity system. It provided ongoing status updates on the progress made on a number of fronts, such as coal-fired generation plant closures, maintaining reliability and providing a fleet of supply resources with lower greenhouse gas emissions. It included updates to the load and conservation forecasts, updated cost assumptions and feedback from industry stakeholders, as well as developments in areas such as the smart grid, electric vehicles, and developments and prices in other jurisdictions.

The OPA's advice was delivered over the course of the year as part of discussions with government. It described the status and outlook for electricity demand, conservation, generation and transmission and provided a basis for identifying future planning options and priorities. The OPA's transmission advice formed the basis for the government's direction on priority transmission projects identified in the Long-Term Energy Plan.

The government engaged in stakeholder consultation on long-term planning options in October and November before releasing its plan in late November 2010. At the same time, it issued a draft directive to guide the OPA in the preparation of an Integrated Power System Plan for submission to the Ontario Energy Board in 2011. The directive was finalized in February 2011[5] following a 45-day public review period.

Key elements of the plan support the efficient use of electricity, phasing out coal-fired generation and increasing the contribution of cleaner and renewable supply resources. Many of these initiatives are underway or in place. For example, immediate concerns regarding system reliability and replacing coal-fired generation have been addressed through the procurement of cleaner supply resources, as well as through the FIT Program. The focus will now include analysis of additional requirements for resources to integrate renewable energy, to prepare for nuclear refurbishments and their associated outages, and to develop options for the longer term as the demand and use of electricity change (for example, as a result of the electrification of transportation).

Supporting conservation and generation procurements

The OPA focused on supporting implementation of conservation and generation procurements and transmission development.

Work in this area included supporting the development and implementation of integrated regional plans and integrating renewable energy projects into Ontario's transmission system.

Regional and remote community plans

To support the goal of maintaining a reliable transmission system, the OPA worked with stakeholders in areas identified as having the potential for supply constraints that would reflect on overall system reliability. Stakeholders included local distribution companies, First Nation and Métis communities, transmitters and, where needed, the Independent Electricity System Operator. Key areas included the Greater Toronto Area, Kitchener-Waterloo-Cambridge-Guelph, Windsor-Essex, Ottawa area, South Simcoe area and Northwestern Ontario (including the remote communities). The OPA also worked with Peel Region, the Ontario Ministry of Transportation and Hydro One to explore opportunities for joint-use transportation and electricity transmission corridors, consistent with provincial policies.

The OPA continued to evaluate transmission priorities and options and to create associated development and implementation plans. This supports government commitments and directives, maintains reliability, and provides input into regulatory proceedings for proposed transmission development and the updated Integrated Power System Plan. The plans are guided by a number of factors, including: reliability criteria established by the Independent Electricity System Operator, local distribution company plans for meeting local load growth and connecting renewable and other forms of generation, local forecasts of electricity use, and the capability of the transmission system supplying the area. In leading the development of the regional and local

[5] The directive replaced the two previous supply mix directives issued on June 13, 2006 and September 17, 2008.

area plans, consideration is given to conservation, demand management, distributed or large-scale generation, as well as transmission and distribution options. The plans that are developed and implemented are consistent with provincial policies.

The OPA worked with First Nation and Métis communities, including off-grid communities, to develop long-term electricity service plans that meet the needs of these communities, while complying with provincial policies. In 2010, the OPA worked with First Nation representatives from remote communities, the Ontario Ministry of Energy and the federal government, including Indian and Northern Affairs Canada, to develop an exploratory assessment of integrated electricity service options that consider conservation, transmission and new renewable generation opportunities for remote off-grid communities.

Integrating conservation

Significant efforts were made to integrate conservation into planning Ontario's electricity system. These include developing longer-term conservation potential assessments and forecasts, and integrating them into planning.

Integrating transmission

A key area of focus was identifying and supporting the implementation of transmission system development plans to maintain system reliability and to enable renewable electricity resources to come online. Integration of renewable energy resources included FIT Program applications and contracts and the government's Green Energy Investment Agreement with the Korean Consortium.

To support the integration of projects applying to the FIT Program, the OPA developed several FIT Program connection assessment processes: the transmission availability test, the distribution availability test and the economic connection test. The tests help identify available transmission and distribution capacity to connect potential FIT Program projects, as well as areas for economic expansion of the transmission system. The OPA worked with electricity transmitters, local distribution companies, the Independent Electricity System Operator and proponents throughout the development of these tests. Information was provided on transmission system availability to stakeholders in renewable energy and transmission developments through the FIT Program website.

In the spring of 2010, the OPA administered the transmission availability test and the distribution availability test processes for FIT Program applications received during the program launch period in 2009, in collaboration with local distribution companies and transmitters. This resulted in more than 2,500 megawatts of FIT Program applications receiving contracts based on existing system capability. Together with the first phase of the Korean Consortium projects, about 3,000 megawatts of new renewable generation were accommodated on Ontario's transmission system in 2010.

Following a letter in May from the Minister of Energy requesting an updated transmission expansion plan, the OPA developed a response that recommended a development sequencing priority and implementation approach to meet the needs of the FIT Program and the Green Energy Investment Agreement with the Korean Consortium. The OPA's advice identified three priority transmission projects to enable renewable energy development: devices to enhance the transfer capability in southwestern Ontario, upgrading existing lines west of London, and a new transmission line west of London.

The advice also identified two priority transmission projects for northwestern Ontario. The East-West Tie would provide reliable and cost-effective supply to the area following the shutdown of coal-fired generation, in addition to enabling longer-term renewable resources. The line to Pickle Lake would provide increased transmission capacity and reliability to support growing loads, along with the opportunity to enable connection of remote communities north of Pickle Lake. This advice formed the basis for the priority transmission projects identified in the government's Long-Term Energy Plan.

Integrating supply resources

Planning for resource integration involved evaluating the implementation of current supply initiatives, supporting assessments of plans for existing assets, evaluating system needs for supply and developing strategies for emerging issues.

The OPA continued to develop its understanding of the impacts of integrating intermittent resources, such as wind, into the supply mix and to assess additional requirements to facilitate this integration. As the amount of these intermittent resources increases in terms of megawatts – especially as a percentage of the total supply mix – and as flexible resources are removed, their impacts increase and can become more complex. The OPA also worked with stakeholders to learn how other complementary resources, such as re-powering closed coal plants to run with gas and electricity storage, may fit into the mix to address these impacts.

As the supply mix and transmission facilities across North America evolve to facilitate the incorporation of intermittent, renewable electricity resources, the standards used by electricity utilities will also need to evolve. The OPA and the Independent Electricity System Operator continued to collaborate to ensure that Ontario's specific needs and circumstances are part of that evolution through appropriate participation in the North American Electric Reliability Corporation and Northeast Power Coordinating Council committees.

The OPA also provided planning context to public policy development, stakeholder discussions and regulatory proceedings. This included evidentiary support to various companies in their regulatory proceedings with the Ontario Energy Board, including Ontario Power Generation, Hydro One Networks Inc. and FortisOntario, as well as reviewing a number of local distribution companies' Green Energy Act plans.

Engaging with First Nation and Métis communities

The OPA continued to facilitate First Nation and Métis community participation in renewable energy development, conservation programs and long-term electricity system planning.

The OPA's primary vehicle for engaging First Nation and Métis communities in electricity sector opportunities was the Aboriginal Energy Partnerships Program, enabled by a 2009 ministerial directive. The program includes three components that work together to build capacity and provide opportunities for Aboriginal communities to participate in Ontario's electricity sector:

- Aboriginal Renewable Energy Network (AREN): a web-based resource of information to support communities interested in developing renewable energy generation facilities and conservation initiatives
- Aboriginal Renewable Energy Fund (AREF): provides funding for First Nation and Métis communities to develop renewable energy generation facilities
- Aboriginal Community Energy Plans (ACEP): developed to assist communities in identifying and acting on renewable micro-generation development and local conservation and demand management opportunities.

The components were developed and introduced to First Nation and Métis communities in 2010. An Aboriginal Advisory Committee, with representatives from First Nation and Métis communities and organizations, was also formed to provide program input and feedback. In 2010, 15 projects and 11 communities received funding for project development under AREF. The ACEP will launch in the spring of 2011.

One of the impacts of enhancing electricity sector consultation with Aboriginal communities was increased interest in participation in renewable energy developments. This was demonstrated by the large number of applicants that applied for the Feed-in-Tariff Program, which ultimately resulted in the OPA awarding contracts to 16 Aboriginal projects. These projects are eligible for programs such as the AREF and other incentives designed to increase program accessibility for Aboriginal communities, such as the Aboriginal price incentive and the reduced security deposit.

The OPA received a directive in 2010 to design and coordinate the delivery of an energy-efficiency and demand-response program for First Nation and Métis communities. After receiving guidance from Aboriginal conservation experts, the OPA is finalizing the Aboriginal Conservation Program design and delivery strategy and preparing for program launch in 2011. The program will include four conservation and demand management initiatives, modeled on the 2011-2014 province-wide program, and will be adapted to meet the unique needs of the Aboriginal communities. An external program manager will be responsible for delivering the initiatives, including outreach and promotion of the province-wide initiatives.

The OPA continued to facilitate the Northwest Ontario First Nation Transmission Planning Committee to investigate concepts for connecting remote communities to the provincial transmission system. This committee represents the remote First Nation communities in Ontario that rely on diesel generation. The committee is developing detailed information on the cost, use and socio-economic impacts associated with diesel generation. The OPA will address opportunities for connecting remote communities in the Integrated Power System Plan in 2011.

Throughout 2010, the OPA engaged in many outreach activities to maintain communication and build relationships with First Nation and Métis political, economic and technical organizations and businesses. These included meetings and information sessions about the FIT Program and the Aboriginal Energy Partnerships Program. In addition, discussions about conservation initiatives were held with First Nation economic development officers and Métis council presidents, senators and youth leaders. As part of its work, the OPA continued to support Political Territorial Organizations to increase their understanding of and capacity within the electricity sector. Capacity building will continue in 2011 through various training initiatives and support of First Nation and Métis renewable energy projects.

Engaging with communities and stakeholders

Extensive stakeholder consultation in a steadily evolving environment remained a high priority for the OPA.

Developing and maintaining community and stakeholder relations informs virtually all of the OPA's work. The OPA therefore engages with a broad range of stakeholders and integrates stakeholder communications into every phase of its projects. In 2010, its outreach activities and communications supported all major initiatives to meet organizational and stakeholder needs. As described in earlier sections of this report, continuing stakeholder engagement, communication and consultation relating to the 2011 to 2014 conservation portfolio, electricity resource procurements, including the FIT and microFIT programs and their advisory panels, and Aboriginal participation in the electricity sector were all important areas in which the OPA worked closely with stakeholders.

Over the course of the year, 50 stakeholder events were held involving about 7,500 participants. These included a number of FIT Program-related events, such as web-based teleconferences, microFIT Program open houses, Municipal Renewable Energy Program consultations, as well as sessions for the Community Energy Partnership Program and the biogas industry. They also included a number of conservation program-related events consisting of in-person and simultaneous web-enabled sessions for the 2011 to 2014 conservation portfolio consultations, stakeholder sessions for the low-income consumer program and webinars to support the Power Pledge conservation awareness campaign. Other stakeholder outreach sessions included three OPA management teleconferences and a session for the Industrial Accelerator Program.

An extensive stakeholder consultation on the development of the updated Integrated Power System Plan was planned in late 2010 for implementation in 2011. This consultation is essential to the development of the plan for submission to the Ontario Energy Board. Work also commenced on consultations related to procuring combined heat and power.

The audiences for communications from the OPA are varied and diverse – ranging from governments at all levels to generation developers, media, community members, stakeholders and the public at large. The environment in which the OPA is communicating is steadily evolving – there are more options for people to obtain information, including traditional and new media.

The regulatory framework

The OPA helped shape Ontario's regulatory framework to encourage conservation, the development of renewable generation and related transmission and distribution projects.

In June 2010, the OPA provided advice to the Ontario Energy Board on the appropriate allocation of conservation and demand management targets among local distribution companies, as required by the Minister's April 2010 directive to the OPA. The OPA's recommended conservation and demand management target allocation methodology was prepared in consultation with the Ministry of Energy, the Ontario Energy Board and the Electricity Distributors Association, and incorporated input from Ontario's local distribution companies. In July, the OPA provided comments on the Ontario Energy Board's Conservation Code. This code sets out the obligations and requirements for licensed distributors in relation to the conservation and demand management targets set out in their licences.

Throughout 2010, as in 2009, the Ontario Energy Board was very active in initiating proceedings related to implementing the Green Energy Act and accommodating the introduction of the FIT Program. Collectively, these proceedings created a framework to facilitate renewable energy generation connection by establishing, among other things, rules and guidelines governing generation connection and the assignment of cost responsibility among generators, distribution customers and provincial ratepayers; revised codes to facilitate local distribution company ownership of renewable generation facilities as specified in the act; and policies to ensure that required transmission infrastructure is developed in a timely and cost-effective manner.

The OPA brought a broad perspective to these proceedings through its comments in support of enabling generation connections and related transmission infrastructure. The OPA also reviewed and approved Green Energy Plans for four distributors for submission to the Ontario Energy Board (as specified in new filing requirements) and played an active role in Hydro One Networks Inc.'s application for exemption from its licence to certain sections of the Distribution System Code related to the connection of renewable energy projects.

Social and environmental responsibility

The OPA supported the development of stronger and greener communities in Ontario through its social and environmental leadership.

The OPA continued to engage in a number of activities to support its social responsibility goals. The OPA was honoured as one of the Greater Toronto Area's top 90 employers in 2010. It was also a member of the United Way honour roll and continued to support charitable organizations such as the Daily Bread Food Bank and Habitat for Humanity through in-kind services.

The OPA implemented an environmental policy for its internal operations in the spring of 2010. By incorporating environmental considerations into its decision-making, the OPA was able to make significant progress in greening its operations.

The policy focuses on seven key areas of environmental performance: energy use, resource consumption, recycling, disposal of waste, transportation, suppliers, and staff engagement. The OPA also developed a set of metrics for each area. These allow the OPA to evaluate its performance and make operational changes to reduce its environmental footprint. To ensure performance improvement, the metrics are evaluated each year.

In 2010, the OPA established a benchmark for measuring and reducing energy use and paper consumption in its offices. It also began to implement improved processes for the collection of waste and recycling and laid the groundwork for greener procurement processes. Key accomplishments included installation of sub-metering that measures energy use with the intention of finding ways to reduce it, procuring only 100 percent recycled paper for all black and white printing and photocopying, and installing lighting controls and motion-activated lighting in new offices. Beginning in June 2010, the OPA participated, with Accenture, P&G and Sears, in a 16-month pilot program, Living Planet @ Work, run by the World Wildlife Fund – Canada. The program, also sponsored by the OPA, is designed to promote conservation and improved environmental practices through increased employee engagement.

The OPA also maximized its use of webinars for external communications to increase accessibility for participants and to reduce the carbon footprint of these sessions.

Management Discussion and Analysis

The following is a discussion of the operating results and financial position of the Ontario Power Authority (OPA) for the year ended December 31, 2010. This analysis should be read in conjunction with the detailed financial statements and notes, which have been prepared in Canadian dollars and in accordance with Canadian generally accepted accounting principles.

2010 Financial Review – Implementing the Plan

Significant achievements in 2010 include:

- **the strong uptake of renewable energy projects under the FIT Program**
- **collaborating with local distribution companies to create a new conservation portfolio for the 2011-14 period**
- **providing expert advice to the government for the development of Ontario's Long-Term Energy Plan.**

Revenues

The OPA has three different sources of revenue:

- *Fees:* an Ontario Energy Board (OEB)-approved rate charged to Ontario electricity consumers on a consumption basis. Revenue resulting from this consumer fee is designed to recover the OPA's operating budget. The fee and its components are reviewed and approved by the OEB through a regulatory proceeding. The 2009 revenue requirement was lower due to the planned use of prior period budget surplus balances. In 2010, total revenue increased to $76.8 million from $66 million in 2009. The net revenue requirement for 2010 approved through regulatory proceedings was $76 million.
- *Registration fees:* an administrative charge on OPA procurements.
- *Interest revenue:* funds earned from management of the OPA's cash balances.

Program Costs and Electricity Resource Charges

OPA program costs represent investment in residential, business and industrial conservation programs. These costs include evaluation, measurement and verification spending, incentives for conservation activities, marketing and promotional spending and conservation program delivery costs. Electricity resource charges include payments made to electricity suppliers for nuclear, clean and renewable energy. Actual payments are directly related to the commercial operation of the facility and the value of the HOEP (Hourly Ontario Energy Price).

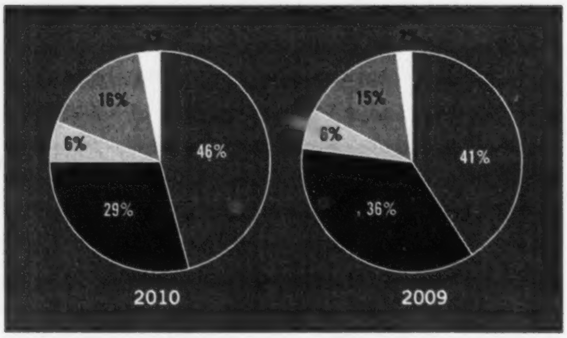
Expenses

Table 1A: 2010 versus 2009 Operating Expenses

OPA Operating Expenses (in millions)	2010 Actual	2009 Actual	Change 2010 from 2009
Compensation and benefits	$30.2	$26.2	$4.0
Professional and consulting	19.0	23.1	-4.1
Conservation and technology funds	3.6	3.9	-0.3
General operating costs	10.2	9.4	0.8
Amortization of capital assets	2.2	1.5	0.7
Total	**$65.2**	**$64.1**	**$1.1**

The OPA started operations on January 1, 2005. Since its inception, the OPA has received a total of 53 ministerial directives and adapted its operations to deliver support to the policy initiatives contained in the *Green Energy and Green Economy Act, 2009* (Green Energy Act). It also provided advice to the government on its Long-Term Energy Plan and is now developing an updated Integrated Power System Plan. As a result, the scope, volume and complexity of OPA activities have increased significantly. However, in 2010, operating expenses increased by less than two percent from 2009 levels, demonstrating the OPA's ability to contain organizational spending, while also delivering on a significantly expanded mandate.

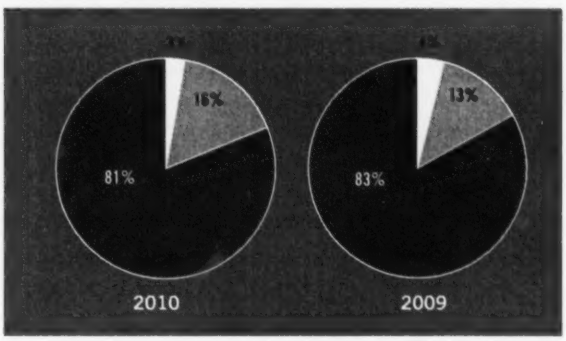
**Figure 1A: 2010 and 2009
Operating Expenses by Expense Category**



- **Compensation and benefits** (2010 - $30.2; 2009 - $26.2)
- **Professional and consulting fees** (2010 - $19.0; 2009 - $23.1)
- **General operating costs** (2010 - $10.2; 2009 - $9.4)
- **Conservation Fund/ Technology Development Fund** (2010 - $3.6; 2009 - $3.9)
- **Amortization of capital assets** (2010 - $2.2; 2009 - $1.5)

(Funds are in millions)

**Figure 1B: 2010 and 2009
Operating Expenses and Program Costs
and Electricity Charges**



- **Generation** (2010 - $1,619.6; 2009 - $1,402.2)
- **Conservation** (2010 - $317.0; 2009 - $223.5)
- **Operating expenses** (2010 - $65.2; 2009 - $64.1)

(Funds are in millions)

Actual results for 2010 were in line with the OPA's budget. In 2010, expenses increased by $1.1 million from 2009. Compensation and benefits expenses increased but were offset by a reduction in professional and consulting expenses. The OPA has made great efforts to reduce its use of external consultants and increase the use of in-house resources to carry out its mandate. General operating costs increased as a result of increased demands for information technology support. The increase in amortization is related to capital investments in information technology tools and leasehold improvements.

Table 1B: 2010 versus 2009 Operating Expenses and Program Costs

OPA Expenses (in millions)	2010 Actual	2009 Actual	Change in 2010 from 2009
Operating expenses	$65.2	$64.1	$1.1
Conservation	317.0	223.5	93.5
Generation	1,619.6	1,402.2	217.4

In 2010, the OPA's operating expenses decreased to three percent of overall spending inclusive of generation and conservation programs. Total program costs increased 19 percent from 2009, while operating expenses increased by less than two percent. The higher investment in conservation reflects increased participation in the OPA's commercial, consumer and industrial programs. An increase in spending for generation is primarily due to new generation resources coming online. A higher average HOEP in 2010 compared to 2009 enabled generators to earn more from the energy market, reducing contractual payments related to electricity generation programs. This decrease in contractual electricity payments partially offset the increase from new generation resources.

In 2010, the OPA complied with all provincial government policies. This included procurement, travel, meal and hospitality expense directives, as well as the Public Sector Compensation Restraint to Protect Services Act, 2010.

Compensation and Benefits

The OPA is a knowledge-based organization responsible for managing a large number of mandated programs and generation contracts, representing billions of dollars in investment activity. Expenses related to the employment of highly qualified professionals are therefore a significant component of its operating budget. Costs in this category include employee salaries, pensions and benefits. Total employment costs for 2010 were $30.2 million.

Professional and Consulting

In 2010, the OPA spent $19 million on professional and consulting expenses for legal services, technical consulting, audit consulting, stakeholder consultations and other external professional services. These services related to:

- implementing the FIT and microFIT programs
- designing and launching the 2011-2014 province-wide conservation programs
- negotiating clean energy generation contracts
- engaging with First Nation and Métis peoples to participate in clean energy and conservation initiatives
- delivering the Power Pledge – a province-wide conservation and energy-efficiency marketing campaign
- completing research studies and enhancement of models and tools to improve the OPA's analytical and long-term planning capability.

Professional and consulting expenses decreased by $4.1 million year over year as the OPA continued to increase its operational efficiency and build the in-house capability needed to implement the OPA's mandate.

"The numbers speak for themselves – the Power Pledge influenced Ontarians' attitudes and actions on energy conservation. These results also underscore why Ontario recently received a grade of A+ from the Canadian Energy Efficiency Alliance. They point to the growing culture of conservation that is our foundation for long-term electricity planning."

- Colin Andersen

General Operating Costs

This category of expense includes administrative costs required to carry out the OPA's mandate. The principal items in this category are rent, professional development, Ontario Energy Board (OEB) fees and licences, software licences and communications costs. In 2010, the OPA general operating expenses were $0.8 million higher than in 2009. This is primarily due to increased information technology spending in support of the FIT and microFIT programs and conservation program management.

Amortization of Capital Assets

The OPA's capital assets consist primarily of leasehold improvements, furniture and fixtures, computer hardware and software, telephone and audio-visual equipment. The 2010 increase in amortization is directly related to the information technology software and development costs needed to support the FIT Program, conservation program management and improvements to the OPA's financial reporting system. Additional leasehold improvements were required and further contributed to the increase. All assets are amortized on a straight-line basis over their estimated useful life, except for leasehold improvements, which are amortized over the remaining term of the lease plus its option to renew. Useful life varies by asset class, as outlined in note 2 of the financial statements.

Global Adjustment Account

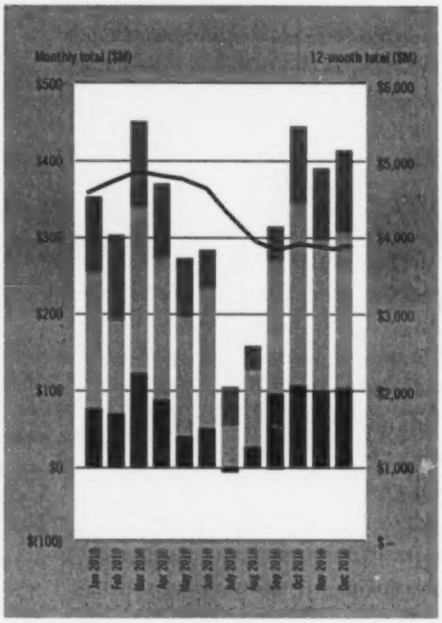
The OPA has a legislated responsibility to record transactions that flow through the global adjustment mechanism. To meet this requirement, the OPA records the cash flows related to procurement contracts held, managed or under its responsibility. This includes contracts associated with the FIT and microFIT programs (which replaced the Renewable Energy Standard Offer Program (RESOP) as of October 1, 2009), generation procurement, conservation and demand response and non-utility generators, as well as certain prescribed Ontario Power Generation (OPG) hydroelectric generation and nuclear generation assets.

The account is settled monthly; however, the settlement process for OPA contracts requires an estimate of the balance owing to suppliers at each month end. This estimate is filed with the IESO at the end of each month and received by the OPA in the following month to settle the electricity payments to contractors. Any variances between the actual amounts paid and estimated amounts payable are included in the following month's settlement. At December 31, 2010, a balance of $187.8 million existed in relation to amounts receivable from the IESO for electricity payments. This amount is classified as an amount receivable for reporting purposes. As of December 31, 2010, the global adjustment account had a zero balance.

Figure 2 highlights OPA cash flows from the global adjustment mechanism for the 12-month period ending December 31, 2010. Positive values in Figure 2 represent charges to electricity consumers, while negative values indicate credits to electricity consumers.

The rolling 12-month trend line reflects the average monthly global adjustment cash flows for the prior 12-month period. This is compared to the global adjustment cash flows for each month. This trend line is higher at the beginning of 2010 and decreases toward the end of the year due to lower global adjustment cash flows in July and August 2010.

Figure 2: OPA Cash Flows from the Global Adjustment Mechanism



- Ontario Electricity Financial Corporation Non-Utility Generator - generation
- OPA contracts
- Ontario Power Generation - generation
- Rolling 12-month cumulative

Executive Compensation Plan

Program Objectives

The OPA executive compensation program is an integrated program for all executive staff. It is designed to attract, retain and motivate the calibre of executives required to support the achievement of the OPA's statutory mandate, corporate vision and business objectives. Accordingly, the compensation philosophy and program have the following objectives:

- to focus executives on meeting the OPA's business objectives
- to attract qualified and talented executive staff needed to carry out the OPA's mandate
- to retain valued executive staff
- to provide flexibility to differentiate total compensation for specific executives based on individual results and demonstrated competencies
- to establish compensation levels that are responsible and defensible to stakeholders.

The philosophy underlying these objectives is that the total compensation for executive management should be sufficient, but not more than required, to attract the skills and competencies needed to carry out the OPA's mandate.

Program Governance

The Board of Directors establishes the objectives for the compensation program. It delegates to the Human Resources Committee of the Board of Directors the responsibility to review thoroughly the compensation objectives, policies and programs and make recommendations concerning them to the full Board of Directors for approval. In carrying out their mandate, members of the Board of Directors have access to management's perspectives as well as those of expert consultants in the compensation field. The program is reviewed at least annually in terms of business needs, program objectives and design, industry compensation trends, internal compensation relativities and external market relativities.

In addition to the formal governance and oversight structure in place for compensation matters, the OPA annually discloses compensation levels for staff earning above $100,000 as part of its public sector salary disclosure under the Public Sector Salary Disclosure Act (Ontario). For the OPA, a further level of public review and assurance is provided through a statutorily required annual fee review by the OEB. Compensation matters, including management compensation and market relativities, are addressed during this review. A broad range of stakeholder groups, assisted by their legal and professional advisors, are represented in these public proceedings. The OPA is also responsive to various requests for information from the Ministry of Energy in relation to compensation matters. These include enquiries with respect to the Agency Review Panel's 2007 review and report on senior management compensation for agencies in Ontario's electricity sector.

Program Description

The program includes fixed and performance-related variable compensation, core benefit plans and pension provisions. For the fixed compensation plan, the Board of Directors establishes broad salary ranges for each level of executive, taking into account comparable market relativities. Within these bands, individuals are assessed, based upon demonstrated competency, as developmental, capable/skilled or expert in their position, relative to the success factors set out in the OPA's established competency profile for executives. This profile consists of behavioural competencies, such as: decision quality, innovation management, dealing with ambiguity, strategic agility, developing direct reports, command skills, sizing up people, drive for results, political acuity, negotiating, managing vision and purpose, ethics and values, and self-development. Each executive's level of achievement with respect to reaching annual objectives is also evaluated. Based on the executive's ability to demonstrate competency in the behavioural categories outlined above and his

or her ability to achieve the established annual objectives, each executive is assigned a corresponding fixed compensation level within the band.

The performance-based variable compensation plan was established to promote a results orientation in the executive team. For the executives, the variable compensation plan provides for annual payments of up to 15 percent of fixed compensation. The Board of Directors annually establishes a robust set of performance objectives and expectations that is evaluated at the end of each year. Decisions regarding the actual variable compensation amount awarded to each eligible individual are based upon individual performance against these criteria. The Board of Directors commended the OPA's executives for their accomplishments and excellent performance in 2010. However, in light of the economic environment and consequent spending restraint measures in the public sector, the variable compensation pool for executives was set at 9.2 percent of the sum of their annual fixed compensation (a 39 percent reduction from the target variable compensation pool of 15 percent), and was distributed to individual executives based on an assessment of their 2010 performance. The total variable compensation payments to executives were minimally below the established budget of 9.2 percent.

The OPA provides a group benefit plan and pension benefits through the Public Service Pension Plan (PSPP) for the current and future well-being and financial security of its executives. The group benefit plan provides a core level of health and dental benefits, life insurance, disability coverage and vacation.

The defined benefit pension plan provides two percent of earnings per credited year of service. After age 65, this pension is reduced to reflect provisions of the Canada Pension Plan. Retirement income is provided through a registered pension plan and a supplemental employee retirement plan. The OPA and plan members both contribute equally to the pension plan.

The annual lifetime pension calculation is based upon a formula that takes into account four key variables:

1. *Average Annual Salary*[1] - the average of a PSPP member's best 60 months of PSPP membership.
2. *Pension Credit* – the total number of years and months that the member contributed to the PSPP.
3. *CPP Integration* – a member's pension is reduced at age 65 to reflect the member's eligible CPP benefits. The reduction is roughly equal to the CPP benefit that the member has built while a member of the PSPP.
4. *Average YMPE* – a three-year average of the Year's Maximum Pensionable Earnings (YMPE), based upon the YMPE in the year the member retires and the two immediately preceding years.

Pension Calculation Formula:

Basic Pension 2% of average annual salary X Pension Credit	**Minus**	**CPP Integration** 0.7% of average annual salary up to the average YMPE X Pension Credit (maximum of 35 years)	**=**	**Annual Pension**

Performance Measures and Effect on Compensation

The OPA annually establishes corporate performance measures relating to its strategic priorities. As outlined above, the results achieved every year have an effect on each executive's variable compensation. Table 2 highlights the OPA's business priorities and provides a brief description of its 2010 goals, objectives and key outcomes. Detailed information regarding performance against 2010 goals and objectives is provided in the sections of this report entitled "Message from the Chair and CEO", pages 4 to 6, and "2010 in Review", pages 7 to 21.

[1] Average annual salary refers to base salary only. All other employment-related income, including variable compensation earnings, is not pension-eligible.

Table 2: OPA 2010 Business Priorities, Goals, Objectives and Key Outcomes

[illegible]	[illegible]	[illegible]
Planning	Plan for and facilitate the development of a reliable and sustainable electricity system.	• Provided advice to the government on the development of its Long-Term Energy Plan for a clean, modern, reliable electricity system. • Provided advice to the government on five priority transmission projects to meet current and future demand, accommodate renewable projects, serve new load and support reliability.
Conservation	With our partners, facilitate the measures needed to achieve North America's most ambitious conservation targets.	• Supported the OEB in developing processes and guidelines for regulating LDC conservation delivery efforts. • Led OPA activities to enable implementation of conservation-related elements of the Green Energy and Green Economy Act.
Electricity Resources	With our partners, enable Ontario's renewable energy goals by expediting the move to a greener, cleaner electricity system.	• Led an increase in renewable energy through implementation of the FIT and microFIT programs while sustaining Renewable Energy Supply (RES) and RESOP procurements. • Enabled nuclear refurbishment and nuclear fuel amendments for Bruce Power and provided analytical and strategic support to the Darlington Nuclear Generating Station to ensure value for Ontario ratepayers. • Enabled an increase in gas-powered generation through effective contract management and settlement, re-contracting of existing assets (e.g. NUGS, Lennox) and the successful launch of the small clean energy, combined heat and power category of programs.
Corporate Support	Sustain a high performing organization that is strategic, diverse and flexible, collaborative and results-oriented.	• Continued to build positive relationships with First Nation and Métis communities to facilitate the development of renewable power and associated transmission. • Achieved enhanced employee communication and organizational alignment. • Continued to develop, build and maintain relationships with industry peers, stakeholders, all levels of government and the public. • Enhanced information technology infrastructure and processes to support the OPA's increasingly complex service and program requirements.

The following five-point rating scale is used to determine the results for both corporate and individual performance objectives, and to calculate the associated variable compensation amount:

1. **Did not achieve objectives:** Did not achieve expected objectives and/or did not demonstrate an acceptable level of performance.
2. **Partially achieved objectives:** Achieved only part of the expected objectives. Consistently demonstrated a solid level of performance on some requirements, but not all.
3. **Achieved objectives:** Achieved expected objectives and consistently demonstrated a solid level of performance.
4. **Exceeded objectives:** Exceeded the expected objectives and consistently demonstrated a high level of performance.
5. **Greatly exceeded objectives:** Significantly exceeded expected objectives and consistently demonstrated an outstanding level of performance.

Other Considerations

Benchmark compensation data for similar positions in several jurisdictions across Canada are used to establish the compensation program for the following year. In accordance with the Agency Review Panel's 2007 recommendations, the comparator organizations are a combination of private and public sector, the comparator data are weighted on a 50/50 private/public sector basis, and the mid-points of the OPA executive salary ranges are aligned with the 50th percentile of the comparator data.

The comparator employers include 12 energy sector organizations operating in four major Canadian jurisdictions: Ontario, Quebec, Alberta and British Columbia. The list of comparators is outlined below:

[illegible]	[illegible]
British Columbia Hydro and Power Authority	Bruce Power
Enersource Hydro Mississauga	Enbridge Gas Distribution Inc.
Hydro One Inc.	FortisAlberta Inc.
Ontario Power Generation Inc.	Suncor Energy Inc.
PowerStream Inc.	Terasen Gas
Toronto Hydro Corporation	Ultramar Ltée

Compensation decisions may at times be affected by market factors, such as the recruitment of an executive with specialized skills and competencies or possessing unique talents in the industry.

Compensation decisions are also influenced by social, economic, legal and political factors, such as prevailing financial and employment conditions, government debt levels, legislation governing compensation and societal perceptions of public sector compensation.

For the fourth consecutive year, the OPA's Board of Directors approved a freeze on the subsequent year's (i.e., 2008, 2009, 2010 and 2011) salary structure for executives. In freezing the executives' salary structure for 2011, the Board took into consideration many of the above social, economic and legal factors, including compliance with Bill 16, an Act to implement 2010 budget measures and to enact or amend various Acts.

Executive Compensation Statement

Table 3 sets out the annual compensation for the year ended December 31, 2010, for the listed executive officers. Compensation is reported over a rolling three-year period. The total cash compensation information provided below differs from the information published under the Public Sector Salary Disclosure Act (Ontario) for the indicated period. This is due to the inclusion of employer pension-related payments and employer-paid benefits in the public sector salary disclosure information. Disclosures under the Act are the amounts listed on T4 taxation forms for each year.

Table 3: Summary of Executive Compensation [2]

Name, Position Title	Year	Salary	Variable Compensation	Total Cash Compensation	Amounts Reported Under Public Sector Salary Disclosure Act[3]
Colin Andersen,[4] Chief Executive Officer	2010	$523,900	$49,127	$573,027	$573,834
	2009	$523,780	$49,247	$573,027	$573,881
	2008	$160,000[5]	$18,958[6]	$178,958	$179,190
Kimberly Marshall,[7] Vice President, Business Strategies and Solutions (CFO)	2010	$227,611	$21,638	$249,249	$250,057
	2009	$223,198	$20,097	$243,295	$244,149
	2008	$181,923	$26,400	$208,323	$209,102
Amir Shalaby, Vice President, Power System Planning	2010	$368,968	$34,360	$403,328	$451,855[8]
	2009	$368,777	$33,251	$402,028	$446,164[9]
	2008	$364,000	$45,500	$409,500	$450,365[10]
JoAnne Butler,[11] Vice President, Electricity Resources	2010	$339,968	$32,642	$372,610	$373,496
	2009	$339,748	$32,302	$372,050	$372,987
	2008	$325,981	$40,200	$366,181	$402,068[12]
Michael Lyle, General Counsel and Vice President, Legal, Aboriginal and Regulatory Affairs	2010[13]	$254,562	$23,674	$278,236	$283,434

[2] Executives are listed in the following order: Chief executive officer, chief financial officer, then in alphabetical order by first name.

[3] Total T4 income, including taxable benefits.

[4] Hired, effective September 15, 2008.

[5] Includes a one-time only financial adjustment payment of $20,000, reflecting transition costs incurred by Mr. Andersen in accepting an offer of employment from the OPA.

[6] In 2008, the OPA's Board of Directors awarded Mr. Andersen an incentive payment based on his early performance in the role of CEO, prorated for the period of time he was employed at the OPA.

[7] Hired, effective February 25, 2008.

[8] Includes a payment in lieu of pension benefits.

[9] Includes a payment in lieu of pension benefits.

[10] Includes a payment in lieu of pension benefits.

[11] Hired, effective January 2, 2008.

[12] Includes a one-time only financial adjustment payment of $35,000, reflecting transition costs incurred by Ms. Butler in accepting an offer of employment from the OPA.

[13] 2010 is the first year in which Mr. Lyle's total cash compensation is included in the Executive Compensation Plan section of OPA's Annual Report.

The pension benefits of these executives are summarized in Table 4.

Table 4: Summary of Pension Benefits

[illegible]	[illegible] Between OPA and Pre-OPA Service at [illegible]	[illegible] Pension at Age 65 at [illegible]	[illegible] Years of Service at [illegible]	[illegible] Annual Pension at [illegible]	[illegible] Projected Annual Pension at Age 65 [illegible]	[illegible] Contributions + Interest to [illegible]
Colin Andersen	*Pre-OPA Service:* 21 years, 1 month *OPA Service:* 2 years, 4 months	$176,613.79	40 years, 10 months	$418,363.94[16]	($269.51)	$48,307.22 + $402.96 = $48,710.18
Kimberly Marshall	*OPA Service:* 2 years, 10 months	$11,815.12	16 years, 7 months	$70,457.85	$1,275.59	$20,158.38 + $168.15 = $20,326.53
JoAnne Butler	*OPA Service:* 3 years	$19,399.63	14 years	$90,784.51	($108.30)	$30,737.57 + $256.40 = $30,993.97
Michael Lyle	*Pre-OPA Service:* 13 years, 9 months *OPA Service:* 5 years, 6 months	$85,581.09	37 years, 7 months	$180,169.26	Pension benefits not reported in 2009	$22,720.10 + $189.52 = $22,909.62

Board of Directors' Compensation

The Board of Directors is responsible for the stewardship of the OPA. It is composed of 10 independent, external directors, appointed by the Minister of Energy, with broad experience in both industry and public sector organizations, plus the chief executive officer. The directors have a duty to act honestly and in good faith in the best interests of the OPA. They are expected to exercise prudence and sound judgment in the decisions they make and to use their professional knowledge and expertise in performing their duties.

The directors receive a quarterly retainer of $6,250, and $1,000 for each board or committee meeting they attend in person. Directors are paid an hourly rate of $200 to a maximum of $1,000 for meetings attended by teleconference. Committee chairs receive an additional stipend of $1,250 per quarter. The chair of the Board receives an additional stipend of $12,500 per quarter.

In 2010, the OPA compared its directors' compensation practices to those of comparable agencies, and found that its fees were closely aligned with those paid by similar organizations.

---

[14] Although the OPA has existed for less than six years, some of the named executive officers have additional years of credited service due to their participation in the Public Sector Pension Plan (PSPP) with other public sector employers, or due to reciprocal pension agreements with other organizations in the electricity sector.

[15] Assuming named executive officer continues to work and participate in the PSPP up to age 65, and annual salary as at December 31, 2010 stays the same until age 65.

[16] Assuming Mr. Andersen continues to participate in the Public Service Pension Plan until the age of 65, he will have 40 years and 10 months of credited service for pension calculation purposes.

Executive Compensation Statement

Table 3 sets out the annual compensation for the year ended December 31, 2010, for the listed executive officers. Compensation is reported over a rolling three-year period. The total cash compensation information provided below differs from the information published under the Public Sector Salary Disclosure Act (Ontario) for the indicated period. This is due to the inclusion of employer pension-related payments and employer-paid benefits in the public sector salary disclosure information. Disclosures under the Act are the amounts listed on T4 taxation forms for each year.

Table 3: Summary of Executive Compensation[2]

Name, Position Title	Year	Salary	Variable Compensation	Total Cash Compensation	Amounts Reportable Under Public Sector Salary Disclosure Act[3]
Colin Andersen,[4]	2010	$523,900	$49,127	$573,027	$573,834
Chief Executive Officer	2009	$523,780	$49,247	$573,027	$573,881
	2008	$160,000[5]	$18,958[6]	$178,958	$179,190
Kimberly Marshall,[7]	2010	$227,611	$21,638	$249,249	$250,057
Vice President, Business	2009	$223,198	$20,097	$243,295	$244,149
Strategies and Solutions (CFO)	2008	$181,923	$26,400	$208,323	$209,102
Amir Shalaby,	2010	$368,968	$34,360	$403,328	$451,855[8]
Vice President,	2009	$368,777	$33,251	$402,028	$446,164[9]
Power System Planning	2008	$364,000	$45,500	$409,500	$450,365[10]
JoAnne Butler,[11]	2010	$339,968	$32,642	$372,610	$373,496
Vice President,	2009	$339,748	$32,302	$372,050	$372,987
Electricity Resources	2008	$325,981	$40,200	$366,181	$402,068[12]
Michael Lyle, General Counsel and Vice President, Legal, Aboriginal and Regulatory Affairs	2010[13]	$254,562	$23,674	$278,236	$283,434

[2] Executives are listed in the following order: Chief executive officer, chief financial officer, then in alphabetical order by first name.

[3] Total T4 income, including taxable benefits.

[4] Hired, effective September 15, 2008.

[5] Includes a one-time only financial adjustment payment of $20,000, reflecting transition costs incurred by Mr. Andersen in accepting an offer of employment from the OPA.

[6] In 2008, the OPA's Board of Directors awarded Mr. Andersen an incentive payment based on his early performance in the role of CEO, prorated for the period of time he was employed at the OPA.

[7] Hired, effective February 25, 2008.

[8] Includes a payment in lieu of pension benefits.

[9] Includes a payment in lieu of pension benefits.

[10] Includes a payment in lieu of pension benefits.

[11] Hired, effective January 2, 2008.

[12] Includes a one-time only financial adjustment payment of $35,000, reflecting transition costs incurred by Ms. Butler in accepting an offer of employment from the OPA.

[13] 2010 is the first year in which Mr. Lyle's total cash compensation is included in the Executive Compensation Plan section of OPA's Annual Report.

The pension benefits of these executives are summarized in Table 4.

Table 4: Summary of Pension Benefits

Name	Credit Split Between OPA and Pre-OPA Service at December 31, 2010[14]	Deferred Annual Pension at Age 55 at December 31, 2010	Credited Years of Service at Age 65	Projected Annual Pension at Age 65[15]	Increase in Projected Annual Pension at Age 65 [illegible] 2009 to 2010	[illegible] Contributions + Interest to [illegible]
Colin Andersen	*Pre-OPA Service:* 21 years, 1 month *OPA Service:* 2 years, 4 months	$176,613.79	40 years, 10 months	$418,363.94[16]	($269.51)	$48,307.22 + $402.96 = $48,710.18
Kimberly Marshall	*OPA Service:* 2 years, 10 months	$11,815.12	16 years, 7 months	$70,457.85	$1,275.59	$20,158.38 + $168.15 = $20,326.53
JoAnne Butler	*OPA Service:* 3 years	$19,399.63	14 years	$90,784.51	($108.30)	$30,737.57 + $256.40 = $30,993.97
Michael Lyle	*Pre-OPA Service:* 13 years, 9 months *OPA Service:* 5 years, 6 months	$85,581.09	37 years, 7 months	$180,169.26	Pension benefits not reported in 2009	$22,720.10 + $189.52 = $22,909.62

Board of Directors' Compensation

The Board of Directors is responsible for the stewardship of the OPA. It is composed of 10 independent, external directors, appointed by the Minister of Energy, with broad experience in both industry and public sector organizations, plus the chief executive officer. The directors have a duty to act honestly and in good faith in the best interests of the OPA. They are expected to exercise prudence and sound judgment in the decisions they make and to use their professional knowledge and expertise in performing their duties.

The directors receive a quarterly retainer of $6,250, and $1,000 for each board or committee meeting they attend in person. Directors are paid an hourly rate of $200 to a maximum of $1,000 for meetings attended by teleconference. Committee chairs receive an additional stipend of $1,250 per quarter. The chair of the Board receives an additional stipend of $12,500 per quarter.

In 2010, the OPA compared its directors' compensation practices to those of comparable agencies, and found that its fees were closely aligned with those paid by similar organizations.

---

[14] Although the OPA has existed for less than six years, some of the named executive officers have additional years of credited service due to their participation in the Public Sector Pension Plan (PSPP) with other public sector employers, or due to reciprocal pension agreements with other organizations in the electricity sector.

[15] Assuming named executive officer continues to work and participate in the PSPP up to age 65, and annual salary as at December 31, 2010 stays the same until age 65.

[16] Assuming Mr. Andersen continues to participate in the Public Service Pension Plan until the age of 65, he will have 40 years and 10 months of credited service for pension calculation purposes.

Independent Auditors' Report

KPMG

To the Board of Directors

We have audited the accompanying financial statements of Ontario Power Authority, which comprise the statement of financial position as at December 31, 2010 and the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Ontario Power Authority as at December 31, 2010, and the results of its financial performance, changes in net assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants, Licensed Public Accountants
February 24, 2011
Toronto, Canada

ONTARIO POWER AUTHORITY

Statement of Financial Position

(in thousands of dollars)
As at December 31, 2010, with comparative figures for 2009

Assets	2010	2009
Current assets:		
Cash and cash equivalents	$ 97,263	$ 19,932
Accounts receivable (note 3)	289,123	206,530
Prepaid expenses	86	129
	386,472	**226,591**
Capital assets (note 4)	11,236	7,710
Other financial assets (note 5)	15,689	29,676
Total Assets	**$ 413,397**	**$ 263,977**

Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 6)	$ 296,254	$ 214,895
Other liabilities	68	–
Contract deposits (note 7)	67,571	35,789
	363,893	**250,684**
Deferred rent inducement, net (note 8)	691	836
Other financial liabilities (note 5)	49,966	14,089
Net assets:		
Internally Restricted Conservation and Technology Development Funds (note 9)	12,581	6,671
Invested in capital assets	11,236	7,710
Accumulated operating deficit	(24,970)	(16,013)
	(1,153)	**(1,632)**
Commitments (note 8)		
Contingencies and guarantees (note 14)		
Total Liabilities and Net Assets	**$ 413,397**	**$ 263,977**

See accompanying notes to financial statements

On behalf of the Board of Directors:

James D. Hinds
Chair

Colin Andersen
Chief Executive Officer

ONTARIO
POWER AUTHORITY

Statement of Operations

(in thousands of dollars)
Year ended December 31, 2010, with comparative figures for 2009

	2010	2009
Revenue:		
Fees	$ 62,407	$ 50,350
Recovery of other financial accounts (note 5)	14,423	15,665
Registration fees	3,249	557
Interest income	1,427	43
Other income	18	12
	81,524	**66,627**
Expenses:		
Compensation and benefits	30,153	26,182
Professional and consulting fees	18,981	23,137
Amortization of other financial accounts (note 5)	14,423	15,665
General operating costs (note 10)	10,240	9,419
Conservation and Technology Development Fund expenses (note 9)	3,590	3,868
Amortization of capital assets	2,229	1,466
	79,616	**79,737**
Excess (deficiency) of revenue over expenses before interest expenses	1,908	(13,110)
Interest expenses	1,429	520
Excess (deficiency) of revenue over expenses	**$ 479**	**$ (13,630)**

See accompanying notes to financial statements

ONTARIO POWER AUTHORITY

Statement of Changes in Net Assets

(in thousands of dollars)
Year ended December 31, 2010, with comparative figures for 2009

	In Capital	Restricted	Operating	Net Assets 2010	Net Assets
Balance, beginning of the year	$ 7,710	$ 6,671	$(16,013)	$ (1,632)	$ 11,998
Excess (deficiency) of revenue over expenses	(2,229)	–	2,708	479	(13,630)
Establishment of Funds					
Conservation Fund	–	5,000	(5,000)	–	–
Technology Development Fund	–	4,500	(4,500)	–	–
Conservation Fund expenses	–	(2,339)	2,339	–	–
Technology Development Fund expenses	–	(1,251)	1,251	–	–
Purchase of capital assets (net)	5,755	–	(5,755)	–	–
Balance, end of the year	**$ 11,236**	**$ 12,581**	**$ (24,970)**	**$ (1,153)**	**$ (1,632)**

See accompanying notes to financial statements.

ONTARIO POWER AUTHORITY

Statement of Cash Flows

(in thousands of dollars)
Year ended December 31, 2010, with comparative figures for 2009

	2010	2009
Cash Flows from Operating Activities:		
Excess (deficiency) of revenue over expenses	$ 479	$ (13,630)
Items not involving cash:		
Amortization of capital assets	2,229	1,466
Amortization of deferred rent inducement	(145)	(144)
Amortization of other financial accounts	14,423	15,665
Change in non-cash operating items (note 12)	30,591	21,514
	47,577	**24,871**
Cash Flows from Financing Activities:		
Repayment of other liabilities	–	(19,587)
Received for other liabilities	68	18,099
Increase in other financial assets	(436)	(727)
Increase (decrease) in other financial liabilities	35,877	(49,099)
	35,509	**(51,314)**
Cash Flows from Investing Activities:		
Purchase of capital assets	(5,755)	(3,692)
	(5,755)	**(3,692)**
Increase (decrease) in cash and cash equivalents	**77,331**	**(30,135)**
Cash and cash equivalents, beginning of year	19,932	50,067
Cash and cash equivalents, end of year	**$ 97,263**	**$ 19,932**

Supplemental cash flow information	2010	2009
Interest paid	$ 885	$ 335
Interest received	$ 1,104	$ 706

See accompanying notes to financial statements

ONTARIO POWER AUTHORITY

1) Nature of operations:

The *Electricity Restructuring Act, 2004* (the Act), established the Ontario Power Authority (OPA) as a non-share corporation on December 20, 2004. The OPA is an independent non-profit, non-taxable corporation. The OPA is not a Crown agent and recovers its costs through fees approved by the Ontario Energy Board (OEB) and through charges to the electricity market through the global adjustment mechanism. In accordance with the Act, the OPA's main objectives are:

- to forecast electricity demand and the adequacy and reliability of electricity resources for Ontario for the medium and long term;
- to conduct independent planning for electricity generation, demand management, conservation and transmission, and develop integrated power system plans for Ontario;
- to engage in activities in support of the goal of ensuring adequate, reliable and secure electricity supply and resources in Ontario;
- to engage in activities to facilitate the diversification of sources of electricity supply by promoting the use of cleaner energy sources and technologies, including alternative energy sources and renewable energy sources;
- to establish system-wide goals for electricity to be produced from alternative energy sources and renewable energy sources;
- to engage in activities that facilitate load management;
- to engage in activities that promote electricity conservation and the efficient use of electricity;
- to assist the OEB by facilitating stability in rates for certain types of customers;
- to collect and provide to the public and the OEB information relating to medium and long-term electricity needs of Ontario and the adequacy and reliability of the integrated power system to meet those needs.

The OPA's ability to continue as a going concern is dependent upon its ability to obtain financing to support operations. The OPA's creditworthiness is attested to the following:

- the ability of the OPA to meet its obligations is provided for in legislation;
- the OPA's minimal counterparty risk, given that its principal counterparty is the Independent Electricity System Operator (IESO), a creation of the province and a strong counterparty.

2) Significant accounting policies:

(a) Basis of presentation:

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

(b) Revenue recognition:

Amounts received in the current year that relate to services and programs to be determined in subsequent years are not recognized as revenue and are deferred.

Fees earned by the OPA are based upon OEB-approved rates for electrical energy withdrawn from the IESO-controlled grid by electricity consumers of Ontario. Such revenue is recognized in the year in which it is earned.

(c) Cash and cash equivalents:

Cash and cash equivalents are comprised of bank deposit balances, term deposits and other short-term investments with original maturity dates of up to 90 days.

2) Significant accounting policies (continued):

(d) Capital assets:

Capital assets are recorded at cost and are amortized on a straight-line basis over their estimated service lives, as follows:

[illegible]	[illegible]
Furniture and equipment	10 years
Computer hardware	4 years
Computer software	3 to 5 years
Audio-visual equipment	10 years
Telephone system	5 years
Leasehold improvements	Term of lease plus extension option

Long-lived assets, including capital assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the statement of financial position and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposed group classified as held for sale would be presented separately in the appropriate asset and liability sections of the statement of financial position. In 2010, no impairment is considered necessary.

(e) Employee pension benefits:

The OPA provides pension benefits to its full-time employees through participation in the Public Service Pension Plan, which is a multi-employer defined benefit pension plan. This plan is accounted for as a defined contribution plan, as the OPA does not have sufficient information to apply defined benefit plan accounting to this pension plan.

The OPA is not responsible for the cost of employee post-retirement, non-pension benefits. These costs are the responsibility of the Ontario Pension Board.

(f) Measurement uncertainty:

Uncertainty in determining the amount at which an item is recognized in the financial statements is known as measurement uncertainty. Such uncertainty exists when it is reasonably possible that there could be a material variance between the recognized amount and another reasonably possible amount, as there is whenever estimates are used. Measurements of uncertainty in these financial statements exist in the valuation of the power purchase contracts and the estimated defeasance date for the OPA's obligations. Estimates are based on the best information available at the time of preparation of the financial statements and are updated annually to reflect new information as it becomes available.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

(in thousands of dollars)

2) Significant accounting policies (continued):

(g) Future Accounting Standards:

In December 2010, the Accounting Standards Board of the Canadian Institute of Chartered Accountants ("AcSB") and the Public Sector Accounting Board ("PSAB") released the accounting standards impacting the future financial reporting framework for not-for-profit organizations. These standards were released as a result of a joint, comprehensive standard setting process by both Boards. These standards are effective for years beginning on or after January 1, 2012. Organizations have an option to early adopt these new standards.

Under the new accounting standards issued by the PSAB, government not-for-profit organizations will apply public sector accounting standards contained in the Public Sector Accounting (PSA) Handbook. To aid in the transition to public sector accounting standards, the PSAB has included the former Section 4400 series of accounting standards used currently by not-for-profit organizations in the PSA Handbook with minimal changes. These not-for-profit accounting standards are the Section 4200 series in the revised PSA Handbook.

Government not-for-profit organizations have the option of applying the PSA Handbook supplemented by the Section 4200 series or applying the PSA Handbook without the Section 4200 series.

The OPA is continuing to review the potential impacts of the transition in accounting standards on its financial statements.

3) Accounts receivable:

	2010	2009
Receivable from IESO (note 13)	$187,789	$173,253
Conservation charges	98,059	32,957
Renewable energy fund charges	1,126	–
Other	1,232	320
HST/GST receivable	917	–
	$289,123	**$206,530**

4) Capital assets:

	Cost	Accumulated amortization	2010 Net book value	2009 Net book value
Furniture and equipment	$ 3,277	$ 1,218	$ 2,059	$ 1,974
Computer hardware	4,405	3,075	1,330	2,651
Computer Software	4,623	537	4,086	–
Audio-visual equipment	229	104	125	148
Telephone system	338	195	143	209
Leasehold improvements	5,047	1,554	3,493	2,728
	$ 17,919	**$ 6,683**	**$ 11,236**	**$ 7,710**

(in thousands of dollars)

5) Other financial assets and liabilities:

The OPA records certain assets, liabilities and deferrals which arise as a result of the *Electricity Act, 1998* and the regulations thereunder and are reflected by the balances in the Regulated Price Plan (RPP), retailer contract settlement deferral accounts, government procurement deferral account and the global adjustment account.

	[illegible]	[illegible]
Other financial assets	$ 15,689	$ 29,676
Other financial liabilities	(49,966)	(14,089)

RPP variance accounts

While prices for RPP consumers are set every six months by the OEB based upon a forecast of the cost of power over the next year, it is likely that there will be a difference between the actual and forecast cost of supplying electricity to all RPP consumers. When the hourly Ontario energy price (HOEP) is greater than the RPP, the OPA pays the excess amount and records a financial asset as the electricity market funds paid are recoverable from the market and its participants. When the HOEP is less than the RPP, the OPA receives the difference and records a financial liability as the funds received will be returned to the market and its participants. The OPA tracks this variance in the RPP variance account. The Ontario Power Generation (OPG) rebate is equivalent to the difference between the revenue limit for specific OPG generating facilities and the revenue OPG actually received in the IESO wholesale spot market for that generation.

	2010	2009
OPG rebate contribution	$ (599,107)	$ (591,671)
Total RPP variance before interest	534,311	562,208
Interest earned	14,830	15,374
	$ (49,966)	**$ (14,089)**

Retailer contract settlement deferral accounts

Legislative provisions ensure that electricity retailers will be made whole by the OPA for contracts with low-volume and designated consumers that were entered into before prices were frozen by legislation effective November 11, 2002. The OPA and retailers settling any differences between the HOEP and the contract price for each contract meet these provisions. When HOEP is greater than the contract price, the OPA receives payments from the retailers and records a financial liability. When HOEP is less than the contract price, the OPA pays the retailer and records a financial asset. The OPA tracks these variances in the retailer contract settlement deferral accounts.

The retailer contract discount settlement account captures the funds related to the retailer incentives existing at the creation of the RPP. The retailer incentives captured are held in a separate deferral account for settlement concurrent with the retailer settlement deferral accounts.

(in thousands of dollars)

5) Other financial assets and liabilities (continued):

As the contracts to which the retailer settlement accounts relate have now largely expired, it is appropriate to begin disposing of the balances in these accounts. To mitigate ratepayer impact, the OPA will recover the accumulated balance of total retailer contract settlements over a three-year period from 2009 - 2011. The OPA began amortizing the accumulated balance in 2009 on a straight-line basis over the three-year recovery period. The amortization expense for 2010 is $14,324 (2009 - $14,324).

		2010		2009
2005 retailer contract settlement account	$	(13,627)	$	(26,201)
2006 retailer contract settlement account		18,004		34,616
2007 retailer contract settlement account		12,401		23,843
2008 retailer contract settlement account		45		87
2009 retailer contract settlement account		191		367
2010 retailer contract settlement account		359		–
Retailer contract discount settlement account		(1,684)		(3,237)
	$	**15,689**	**$**	**29,475**

Government procurement deferral account

The OPA reimburses the government for costs incurred for electricity procurement and records the costs as a financial asset. The remaining balance of 2008 government procurement costs of $102 were requested in the 2010 revenue requirement submission. The balance of $99 was recovered and amortized in 2010 based on actual amount. Subsequently, the over accrued balance of $102 was written off. Any subsequent balances will be included in future revenue requirement submissions. The OPA began amortizing the government procurement costs in 2009 on a straight-line basis, with amortization for 2010 totalling $99 (2009 - $1,341).

		2010		2009
Government procurement costs	$	–	$	201

Global adjustment account

The OPA has a legislated responsibility to record the transactions flowing through the global adjustment mechanism. The global adjustment and settlement accounts have been created for this purpose. The nature of the global adjustment transactions results in a zero balance in the account on a monthly basis. The information and explanation below provide transparency for the transactions flowing through the global adjustment mechanism.

The global adjustment and settlement accounts record charges that flow between the OPA and the IESO. The account flows include the amounts paid and received for: Demand Response 2 (DR2), Demand Response 3 (DR3), non-utility generation (NUG), regulated nuclear generation balancing amount (nuclear) and regulated hydro electric generation balancing amount (hydro). These accounts are settled simultaneously by the IESO. The account also records the amounts paid and received for OPA contracts (standard offer, generation and conservation/demand management, Feed-In Tariff and hydroelectric contract initiatives) which the OPA settles on a monthly basis with the IESO.

(in thousands of dollars)

5) Other financial assets and liabilities (continued):

The DR3, NUG, nuclear, hydro and OPA contract balances are offset in the global adjustment account, eliminating the need for a flow of funds between the IESO and the OPA. The OPA records the effect of the transactions to meet its legislated responsibility.

The OPA generation contracts are estimated each month and settled on the actual amount owing in the following month. This gives rise to timing differences. The settlement dates can cross calendar months, creating a monthly balance in the account. Differences created from timing or settlement dates are reclassified into accounts receivable at month end. The net impact of global adjustment transactions creates a zero balance in the account at every month end.

	2010	2009
DR2	$ 12,448	$ -
DR3	17,536	8,121
NUG	959,670	961,613
Nuclear	882,214	1,367,679
Hydro	7,146	183,575
OPA Contracts	1,969,859	1,697,901
Global adjustment balancing amount	(3,848,873)	(4,218,889)
	$ -	$ -

6) Accounts payable and accrued liabilities:

	2010	2009
Accrued contract settlements	$ (189,002)	$ (171,136)
HST payable	–	(11,457)
Other accrued liabilities	(107,252)	(32,302)
	$ (296,254)	**$ (214,895)**

7) Contract deposits:

The OPA receives performance security in the form of deposit amounts received from renewable energy supply, Feed-In Tariff (FIT) Program and demand response suppliers. For suppliers engaged in a contract which involves the construction of a new supply facility, the deposits are larger during the construction phase and are reduced once a project commences commercial operations. Deposits related to the FIT Program are submitted to the OPA with the supplier application and can be returned if one of the following occurs: (a) the supplier withdraws their application from the Program; (b) the supplier obtains a contract with the OPA; or (c) the supplier's application is rejected by the OPA.

The deposits are classified as current liabilities as they can be replaced by a letter of credit by the supplier on request.

(in thousands of dollars)

8) Deferred rent inducement and operating lease commitments:

The OPA has entered into various long-term lease commitments for office space, which include lease inducements. Deferred rent inducement represents the benefit of operating lease inducements amortized on a straight-line basis over the term of the lease. The OPA obtained an allowance for leasehold improvements of $1,430. As at December 31, 2010, the deferred rent inducement, net of amortization, was $691 (2009 - $836).

The OPA reports an average rental cost for premises over the term of the lease agreement and amortizes the benefit of the lease inducements over the same period. As at December 31, 2010, the accrued liability was $321 (2009 - $313).

Lease commitments for premises are set to terminate by October 2015. Lease commitments include amounts for leased computer hardware. Computer hardware commitments terminate between 2012-2013. The minimum annual payments under the operating lease are approximated as follows:

2011	$ 1,687
2012	1,678
2013	1,652
2014	1,650
2015	1,294
	$ 7,961

9) Internally restricted conservation and technology funds:

The OPA established the Conservation Fund to support electricity conservation projects. The Technology Development Fund was established to aid the development of new technology to improve electricity supply or conservation. To date, 11 funds have been set up as depicted in the table below.

[illegible]	Restricted Fund	Expensed 2010	Expensed Prior Years	Balance 2010
2005 Conservation Fund	$ 1,100	$ –	$ 837	$ 263
2006 Conservation Fund	1,500	–	1,575	(75)
2007 Conservation Fund	3,000	25	2,649	326
2008 Conservation Fund	3,000	941	1,634	425
2009 Conservation Fund	3,000	1,242	433	1,325
2010 Conservation Fund	5,000	131	–	4,869
2006 Technology Development Fund	1,000	–	487	513
2007 Technology Development Fund	1,000	18	632	350
2008 Technology Development Fund	1,500	460	1,077	(37)
2009 Technology Development Fund	1,500	509	605	386
2010 Technology Development Fund	4,500	264	–	4,236
	$ 26,100	**$ 3,590**	**$ 9,929**	**$ 12,581**

(in thousands of dollars)

10) General operating costs:

		[illegible]		[illegible]
General program costs	$	4,799	$	4,970
Premises		3,447		2,737
Information technology		1,046		745
Office and administration		948		967
	$	**10,240**	**$**	**9,419**

11) Pension plan:

The OPA makes contributions to the Public Service Pension Plan, a multi-employer plan, on behalf of staff. The plan is a contributory defined pension plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

Contribution rates by employers are made at a rate of approximately eight percent of earnings. As at December 31, 2010, the OPA paid or accrued contributions totalling $1,916 (2009 - $1,572) during the year.

12) Change in non-cash operating items:

		2010		2009
Increase in accounts receivable	$	(82,593)	$	(133,015)
Decrease in prepaid expenses		43		172
Increase in accounts payable and accrued liabilities		81,359		119,100
Increase in contract deposits		31,782		35,257
	$	**30,591**	**$**	**21,514**

13) Related party transactions:

The OPA considers the OEB, Hydro One, the IESO, OPG, Ontario Financing Authority (OFA), and the Ministry of Energy as related parties due to the relationship they maintain with the Government of Ontario. Transactions between these parties and the OPA were as follows:

Under the *Ontario Energy Board Act, 1998*, the OPA incurs registration and licence fees. Consistent with other registrants, in 2010 the OPA was allocated a portion of the operating costs of the OEB. The total of the OPA's transactions with the OEB were $1,147 in 2010 (2009 - $1,083).

The OPA procures conservation and demand management from Hydro One. The procurement costs include payments for electricity conservation, program operating costs and management fees. In 2010, the OPA procured $31,359 in conservation demand management (2009 - $18,682) from Hydro One and its wholly owned subsidiaries.

13) Related party transactions (continued):

The OPA receives its fee revenue from the IESO. The fee revenue is approved by the OEB and collected each month by the IESO from ratepayers through a usage rate applied to Ontario domestic electricity consumption. Fee revenue for 2010 was $76,830 (2009 - $66,015). In addition, the OPA and the IESO have agreements set up for the settlement of amounts paid and received for the global adjustment account, RPP, and retailer contract settlement deferral accounts on behalf of the various market participants (see note 5). At December 31, 2010, the OPA had a net receivable of $187,789 (2009 - $173,253). The OPA also incurred $447 in 2010 (2009 - $350) for IESO consulting services.

The OPA has an agreement with OPG for consulting services and planning support. In 2010, the OPA incurred $nil (2009 - $13) for such services.

The OPA has available a revolving operating facility in the amount of $975,000, provided by the OFA to fund its general operating expenses and support the RPP variance account. The line of credit was renewed in 2010 for a three-year term from January 1, 2011 to December 31, 2013. No amounts were drawn on this facility as at December 31, 2010.

In the 2008 revenue requirement submission to the OEB, the OPA requested and received an OEB decision to carry the costs related to the government procurements in a deferral account to settle coincidentally with the retail contract settlement deferral accounts. The amount of $nil was incurred in 2010 (2009 - $99).

14) Contingencies and guarantees:

Contingencies:

(a) In the normal course of its operations, the OPA becomes involved in various legally binding agreements. Some of these agreements contain potential liabilities that may become actual liabilities when one or more future events occur or fail to occur. To the extent that a future event becomes likely to occur or fails to occur, and a reasonable estimate of the loss can be made, an estimated liability will be accrued and the expense recorded on the OPA's financial statements. As at December 31, 2010 in the opinion of management, no such liabilities exist.

(b) In October 2009, the OPA signed a contract with TransCanada Energy Ltd. to design, build and operate a 900 megawatt (MW) electricity generating station in Oakville over a 20-year term. As a result of the cancellation of this natural gas plant at the direction of the Ministry of Energy of Ontario during October 2010, the OPA may be contingently liable under the original contract. At this time, any potential settlement amount is undeterminable.

(c) Contract conditions related to the construction of a new clean energy facility stipulate that the OPA is contingently liable to repay upgrade costs, up to a maximum of $1,000, as incurred by the energy supplier. While none of these costs have been incurred to date, the OPA is liable to cover such costs over a 20-year period ending in 2025. As at December 31, 2010, management is not aware of any information to suggest that these upgrade costs will be incurred by the supplier.

Guarantees:

The OPA is contingently liable under a loan guarantee provision in a contract with a maximum potential exposure of $8,600. The outstanding loan balance under this contract which the OPA has guaranteed, is $106 as at December 31, 2010 and is not presently in default. The contract related to this guarantee expires in September 2012.

15) Fair value of financial assets and financial liabilities

The carrying amounts for cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their fair values because of the short-term maturity of these instruments.

The fair values of other financial assets and other financial liabilities are not provided because it would not provide additional useful information as they would be offset and/or would not be practical to determine.

16) Capital Disclosures:

Due to the OPA's primary objectives (note 1), the OPA plans for revenues to fund expenses. Any variances that occur are addressed in the following year revenue requirement submission. The OPA submitted the proposed 2011 expenditures, revenue requirements, and fees to OEB for review on November 2, 2010 after approval by the Minister. The Minister provided formal approval of OPA's business plan on November 1, 2010. As of February 24, 2011, the OEB has not approved the OPA's proposed usage fee for 2011.

17) Financial risk management:

The OPA is exposed to financial risks in the normal course of its business operations, including market risks resulting from credit risk and liquidity risk. The nature of the financial risks and the OPA's strategy for managing these risks has not changed significantly from the prior year.

(a) Credit risk:

Credit risk refers to the risk that one party to a financial instrument may cause a financial loss for the other party by failing to meet its obligations under the terms of the financial instrument. The OPA is exposed directly to credit risk related from accounts receivable and bank deposits held at the chartered bank. Direct exposure to credit risk is limited to the carrying amount presented for these assets on the statement of financial position. Accounts receivable as of December 31, 2010 included no material items past due.

(b) Liquidity risk:

Liquidity risk refers to the risk that the OPA will encounter financial difficulty in meeting obligations associated with its financial liabilities. The OPA manages liquidity risk by forecasting cash flows to identify financing requirements. Cash flows from operations and maintaining appropriate credit facilities reduce liquidity risk.

Corporate Information

Board of Directors

James D. Hinds, Chair
Retired from TD Securities Inc., where he was a Managing Director; Newcrest Capital Inc. and CIBC Wood Gundy Inc. (Effective December 9, 2010)

John M. Beck, Chair
Chairman and Chief Executive Officer, Aecon Group Inc. (Resigned as Chair on December 9, 2010; resigned from Board effective January 1, 2011)

Charles Bayless, Director
Retired Provost, West Virginia University Institute of Technology

Michael Costello, Director and Chair
Audit Committee
Retired from BC Hydro and BC Transmission Corporation (President and CEO); Director, InTransit BC and Vancouver Island Health Authority; and Chair, Axia Software Corporation

Richard P. Fitzgerald, Director
Retired Chairman, Diageo Canada Inc.

Adèle M. Hurley, Director
President, Hurley & Associates Inc. and Director, Program on Water Issues, Munk School of Global Affairs, University of Toronto

Ronald L. Jamieson, Director and Chair, Human Resources Committee
Retired from BMO Financial Group, where he was Senior Vice-President, Aboriginal Banking; Director, Nuclear Waste Management Organization and Denendeh Investments Inc.; Chairman, Canadian Council for Aboriginal Business

Bruce Lourie, Director
President of Ivey Foundation, a Director of Environmental Defence Canada and a Director of the Consultative Group on Biological Diversity.

Lyn McLeod, Director and Vice Chair
Chair of the Ontario Health Quality Council and Ontario representative on the Health Council of Canada. Founding Chancellor of the University of Ontario Institute of Technology and past Chair of the Board of Confederation College in Thunder Bay.

Patrick J. Monahan, Director
Vice-President, Academic, and Provost at York University. Former Dean of Osgoode Hall Law School and former Chair of the Board of Governors of the Law Commission of Ontario.

Colin Andersen, Director
Chief Executive Officer, Ontario Power Authority

Corporate Officers

James Hinds
Chair

Colin Andersen
Chief Executive Officer

JoAnne Butler
Vice President, Electricity Resources

Ben Chin
Vice President, Corporate Communications (Resigned February 4, 2011)

Michael Lyle
General Counsel and Vice President, Legal, Aboriginal and Regulatory Affairs

Kimberly Marshall
Vice President, Business Strategies and Solutions

Andrew Pride
Vice President, Conservation (Effective November 1, 2010)

Amir Shalaby
Vice President, Power System Planning

Paul Shervill
Vice President, Conservation (Retired July 30, 2010)

John Zych
Corporate Secretary

Corporate Information

For more information on the Board of Directors, including the Board Charter and Code of Conduct, Governance and Structure By-Law, and Board committees, please visit the OPA website, www.powerauthority.on.ca and select About Us; Management, Mandate and Organization; Board of Directors.

Corporate Contact Information

Ontario Power Authority
120 Adelaide Street West
Suite 1600
Toronto, Ontario M5H 1T1
Phone: (416) 967-7474
Fax: (416) 967-1947
Web: www.powerauthority.on.ca

ONTARIO POWER AUTHORITY